Austria ... Sch. 20	Indonesia .. Rp 3100	Philippines .. Pes. 20
Bahrain .. Din.0.650	Israel .... NS 3.50	Portugal .. Esc 100
Belgium ... BFr.45	Italy .... L 1500	S. Arabia .. Rls 8.00
Canada ... C$1.00	Japan Y550	Singapore . S$ 4.10
Cyprus ... C£0.75	Jordan ... Fils.500	Spain ..... Pta 125
Denmark .. Dkr.8.00	Kuwait ... Fils.500	Sri Lanka ... Rup 30
Egypt .... E£1.00	Lebanon . £L 25.00	Sweden .. Skr 7.00
Finland .. Fmk 6.50	Luxembourg . LFr.45	Switzerland SFr 2.20
France .. FFr. 6.50	Malaysia .. Rls 4.25	Taiwan ... NT $95
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1.375
Greece ..... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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US Congress seeks compromise on defence funds, Page 5

World news

French air force favours Awacs

The French air force said it was in favour of France buying the Boeing E-3 Awacs aircraft as the only airborne early warning system suited to its needs.

The air force's declaration would seem to jeopardise any chance of France buying the rival British-built Nimrod equipped with GEC radar.

Although the French Government is formally committed to examining both the American and British options, officials indicated privately that the Boeing aircraft was the clear favourite because it was already developed and operational. Page 26

Israeli air raid

Israeli aircraft raided north Lebanon for the first time in 15 months, hitting a base, training fields and an ammunition dump used by the Marxist Popular Front for the Liberation of Palestine. Page 7

Peres to step down

Israeli Prime Minister Shimon Peres said he planned to step down on Friday as part of a power-sharing agreement with the right-wing Foreign Minister, Yitzhak Shamir.

Gulf air strikes

Iraq said its aircraft launched raids against three oil-related Iranian targets and Iran reported that several civilians were injured in air strikes on two of its south-west industrial areas.

W German poll

West Germany's opposition Social Democratic Party (SPD) was drawing comfort from a swing to the left in Sunday's local elections in Lower Saxony. Page 26

S. African explosion

Six South African soldiers were injured when their vehicle hit a mine near the Mozambique border. The attack was blamed on the banned ANC. Page 7

Genscher check-up

West German Foreign Minister Hans-Dietrich Genscher, 59, was due to leave hospital after five days of checks since he fainted in parliament. A spokesman said he was feeling well.

Mafia arrests

Italian police said they had arrested four people for involvement in a Mafia-backed medical prescription fraud.

N-plant shutdown

One of Belgium's seven nuclear power stations has been shut down temporarily after radioactive water leaked from its primary cooling system.

Syria accused

Syria was involved in a plot to destroy an Israeli airliner last April and kill 375 people on board, a British prosecutor said in a case against a Jordanian charged with planning the crime. Page 7

Greenpeace protest

Environmental group Greenpeace said it had sent its protest ship Sirius to Iceland to arrive there on the eve of the mini-summit between the US and Soviet leaders.

Kasparov keeps title

World chess champion Garry Kasparov retained his title after reaching a draw in his 23rd game with challenger Anatoly Karpov.

Yoga in orbit

The Soviet Union wants India to help teach its cosmonauts the ancient Hindu art of yoga to prevent space sickness, the head of India's Institute of Aviation Medicine said.

Business summary

Icahn bid values USX at $8bn

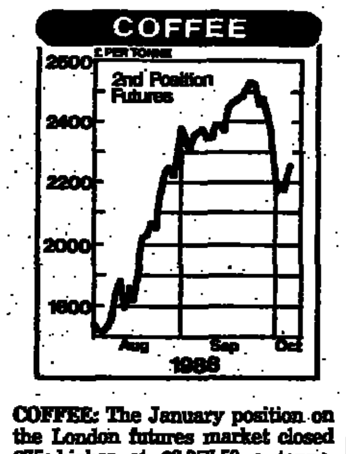
CARL C. ICAHN, New York investor, and a group of companies he controls said in an SEC filing that they have a 9.8 per cent stake in USX Corp and have proposed buying the company at $31 per share, to value it at $8bn.

IBM, world's biggest computer manufacturer, and Intel, silicon valley chip maker, have signed a big semiconductor technology exchange agreement, the details of which have just been announced. Page 27

WALL STREET: The Dow Jones industrial average closed 10.7 up at 1,784.45. Page 50

TOKYO suffered a further setback with institutional investors and dealers sitting on the sidelines after last week's violent fluctuations. The Nikkei market average fell 171.12 to 17,435.33 on the second lowest volume of the year. Page 50

COFFEE



COFFEE: The January position on the London futures market closed £75 higher at £2,257.50 a tonne. Confidence appeared to have returned to the market after last week's sell off. Page 42

LONDON financial markets took heart from expectations that UK money supply data due today will be better than earlier thought, reducing pressure for higher interest rates. The Financial Times ordinary share index rose 17.2 to 1,251.2. Gilts lost some of their early impetus. Page 50

DOLLAR closed in New York at DM 1.9920; SFr 1.6215; FFr 6.5225 and Y154.22. It fell in London to DM 1.9900 (DM 1.9985); FFr 6.5200 (FFr 6.5450); Y154.05 (Y154.10), but was unchanged at SFr 1.6200. On Bank of England figures the dollar's index fell to 109.2 from 109.3. Page 43

STERLING closed in New York at $1.4385. It fell in London to close at $1.4390 ($1.4425). It also fell to DM 2.8625 (DM 2.8825); FFr 9.3825 (FFr 9.4400); SFr 2.3300 (SFr 2.3375), and to Y221.50 (Y222.25). The pound's exchange rate index fell 0.2 to 68.0. Page 43

GOLD rose $1 to $438.00 on the London bullion market. It also rose in Zurich to $437.87 ($436.75). In New York the Comex December settlement was $442.8. Page 42

SECURITY PACIFIC, large US West Coast banking group, intends expanding its asset-based finance activities in Europe. Page 27.

NORSK HYDRO, Norwegian energy and industrial group which reported a sharp fall in first-half profits earlier this year, has substantially downgraded its profit hopes for 1986 as a whole. Page 27

SAINT GOBAIN, French state glass group due to be privatised before the end of the year, expects to double first-half profits. Page 27.

BROTHER INDUSTRIES, Japanese manufacturer of sewing machines and typewriters, is to establish a wholly-owned subsidiary in the US to produce electronic typewriters. Page 27.

TELEFONICA, Spain's semi-state telecommunications group, is seeking to sell its 49 per cent stake in a joint cable-making venture with General Cable of the US. Page 30

VIEILLE-MONTAGNE, Belgian zinc mining and processing company, experienced a loss of BFr 491m ($11.8m) in the first half compared with profits of BFr 265m in the same period of 1985. Page 30

Submarine sinking 'poses no immediate threat'

BY LIONEL BARBER IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

THE SOVIET nuclear submarine, crippled by fire and an explosion last Friday, sank in the Atlantic Ocean, about 500 miles north-east of Bermuda yesterday.

The Yankee-class submarine, armed with 16 ballistic missiles sank in about 8,000 ft of water in mid-Atlantic, US Pentagon officials said. The Soviet Union later confirmed the loss.

Three Soviet seamen died in the initial fire and explosion but Moscow said last night that the rest of the crew had been taken on board Soviet ships before the submarine sank with no further loss of life.

Soviet and US officials agreed that the sinking vessel posed no immediate radiation threat.

Tass, the Soviet newsagency, said, that the submarine had sunk despite efforts to save it by the crew and other Soviet ships which had come to its rescue.

The Tass report gave no details of the cause of the explosion but said the reasons behind the sinking were still being investigated.

Pentagon officials gave the site of the sinking as 31 degrees, 21 minutes north latitude, and 54 degrees, 42 minutes west longitude. The 426-ft long submarine, which is powered by a pressurised water reactor and is comparable in design to Britain's Polaris submarines, started taking on water as it was being towed at two miles per hour by a Soviet merchant vessel.

Mr Caspar Weinberger, the US Defence Secretary who is in Hong Kong, said that he had been told by experts that there was no danger of the missiles exploding. But he added that the force of the blast, which killed three Soviet crewmen on Friday, had been "very, very great." Photographs taken over the weekend by US patrol aircraft showed the stricken submarine with its hatches blown away, its skin peeled back and a hole in the side.

A former US navy official who commanded a Polaris nuclear submarine similar to the one that sank said that the crippled boat posed no danger because radioactivity would be diluted by the sea.

Mr James Bush, associate director of the Centre Defence Information, a private group which monitors the Pentagon, said there would be no appreciable increase in the radiation level in the ocean if the reactor ruptured. "Of course, if it does not rupture, then you have got an even better situation."

The submarine had been towed about 80 miles by the Soviet vessel Krasnovardeysk after Friday's explosion. The fire burned for about two days.

The submarine began moving under its own power but was forced to seek assistance in heavy seas. The towing operation was halted in the early hours of yesterday and the submarine gradually flooded. Two hours before, only a few crewmen were spotted aboard by US surveillance aircraft.

The sinking of the submarine is the third major disaster to hit the Soviet Union this year.

The first of these was the disaster at the Chernobyl nuclear plant on April 26, about which the Soviet authorities at first released no information. But the sinking of the cruise ship Admiral Nakhimov in the Black Sea on August 3 and the loss of the submarine in the Atlantic were both announced immediately, signalling a big change in Soviet information policy.

Last night, the International Atomic Energy Agency (IAEA) based in Vienna, confirmed that Moscow had been keeping it informed of developments surrounding the submarine accident in keeping with a recent pledge by the Soviet Union to report such incidents.

Clouds begin to lift over Singapore economy

By Steven Butler in Singapore

FOR SINGAPORE, the worst is over. After a startling economic plunge following 20 years of spectacular advances, the tiny island state appears to have hit bottom and bounced back.

But while the Government is trying to show the latest turn of events in the best light so as to attract new investment, most observers expect the recovery to be a long and drawn-out affair.

Singaporeans will have to get used to far lower expectations about the economy, they believe. "The boom-boom days of 8 to 10 per cent growth are gone forever," says a diplomat who follows the economy closely.

Singaporeans can still count themselves lucky. Through a string of largely external events, such as a fall of the US dollar which lowered the price of Singapore's exports, GNP figures have moved into the plus column far faster than government leaders expeced earlier this year.

After four consecutive quarters of sharp contraction, the economy had expanded by a slight 0.8 per cent in the second quarter, an impressive rebound from the 3.4 per cent decline in the first quarter, and enough to prompt the Trade Ministry to say that the economy may grow by 1 to 2 per cent for the year.

"We have passed the trough of this recession," Mr Richard Hu, the Finance Minister, said last month.

Until recently, government economists had been predicting that the economy would shrink by another 1.5 per cent this year, but some unexpected bright spots have appeared.

Electronic manufacturing expanded by 25.1 per cent in the second quarter on an annualised basis. Shipbuilding and petroleum refining managed to pick up from the first quarter, bringing production up to the levels of the previous year, which had already been slashed by a decline in output.

The transport and communication, and financial and business service sectors also grew at a healthy rate, although this growth was less of a surprise.

None the less, the problems are obvious from just a quick drive around Singapore. Beautiful new buildings sit empty with "For Sale" and "For Rent" signs outside. Singapore is one of the few places in the world where a luxury hotel room can be had for less than $50 a night, and this oversupply will worsen spectacularly in the coming months as thousands of new rooms come on to the market.

Continued on Page 26

Brussels rift over enforcing competition

BY QUENTIN PEEL IN BRUSSELS

A GROWING rift has developed in the European Commission in Brussels over how tough it should be in using its legal powers to enforce free competition and limit the use of state subsidies in EEC industries.

The increasingly acrimonious debate has pitted Mr Jacques Delors, the Commission president, against Mr Peter Sutherland, the Irish Commissioner responsible for competition policy. It also tends to follow the political divide in the 17-man body between the conservative majority and socialist minority.

It is a division which could have major implications for the future implementation of EEC competition laws, especially concerning state aid – the one area where the European Commission has genuine executive authority under the Treaty of Rome.

The subject was raised by Mr Delors at a closed-doors meeting of the Commission at the Chateau Val Duchesse on the edge of Brussels last week – while Mr Sutherland was absent attending a meeting of transport ministers in London.

The Commission president argued that putting too much emphasis on strict enforcement of the competition rules gave the Community a negative image as being interfering, restrictive, and actually destroying jobs at a time of high unemployment.

At the same time, the Commission was seen to be "powerless when it comes to positive actions," he argued in a discussion paper circulated to fellow commissioners. He suggested that there was a real disequilibrium in the powers residing in Brussels.

Although Mr Sutherland was absent, it is understood that other commissioners defended the strict interpretation of EEC rules on competition and state aid, including Mr Frans Andriessen, the Dutch Commissioner formerly responsible for the portfolio, and Lord Cockfield, the senior British Commissioner.

The rift has widened in recent months, as Mr Sutherland has made it clear in Commission that he was determined to see vigorous action to prevent excessive state subsidising of industry. Although he initially enjoyed the support of Mr Delors, the president has clearly modified his position.

Both the French and West German governments have been stung into protest by the action of the Commission's competition services, according to high level officials – and at one time or another most members of the Commission have come under pressure from their national capitals.

Although politically Mr Sutherland might normally expect to enjoy majority support for a tough competition policy – there is a clear majority of liberal-conservative politicians in the Commission – he has failed to carry the day on more than one occasion.

The most notable was the decision by the Commission not to investigate the granting of state aids by the Italian Government to Iveco, the lorry manufacturer, as Mr Sutherland had proposed.

By raising the whole question at the Commission's "weekend of reflection," Mr Delors seems determined to have a wide-ranging debate which would discuss the relationship between strict enforcement of the competition rules and a more flexible attitude to industrial interventionism, as traditionally practised in France.

Editorial comment Page 24

£ and $ weaker in nervous markets

By Philip Stephens, Economics Correspondent, in London

THE DOLLAR and the pound remained under pressure in nervous foreign exchange markets yesterday prompting further intervention by West Germany's Bundesbank and the Bank of England to steady the two currencies.

The London Stock Exchange, however, shrugged off recent fears of higher UK interest rates, registering strong gains in response to buoyant retail sales figures and the perception that sterling's weakness will feed through into higher company profits. The FT Ordinary share index closed at 1,251.2, 17.2 points higher than on Friday.

The pound fell to a new record low against the D-Mark, but was helped by a general weakening in the value of the dollar. The trade-weighted index, which opened 0.2 points lower at 68.0, held at that level throughout the day.

Foreign exchange dealers reported light intervention by the Bank of England to support the pound. The Bank itself, however, which had been tacitly acknowledging its intervention last week, declined all comment on its operations.

The general view in the markets is that the outlook for the pound now depends crucially on the uncertain outcome of the Geneva talks of the Organisation of Petroleum Exporting Countries (Opec) and on today's figures for the UK money supply.

The Government hopes that better-than-expected figures for the growth rate of sterling M3 last month will help to avert a politically damaging rise in base rates during this week's Conservative Party conference, which begins today in Bournemouth.

Speculation that the US, might cut its discount rate in response to poor economic indicators yesterday depressed the dollar.

Norwegian krone under pressure, Page 3

Saudis call for change over Opec oil quotas

BY RICHARD JOHNS IN GENEVA

SAUDI ARABIA, the Organisation of Petroleum Exporting Countries' biggest oil producer, sees a change in the way that Opec production quotas are divided between member states as "absolutely essential," Sheikh Ahmed Zaki Yamani, the country's Oil Minister, said yesterday as the Opec ministerial conference opened in Geneva.

At the same time, Sheikh Yamani reaffirmed Saudi Arabia's commitment, shared by other Opec states, to achieving an oil price of $17 to $19 a barrel compared with the present $13 to $15.

The meeting is Opec's fifth this year. It is reviewing the interim agreement on quotas and an overall Opec production ceiling reached in August, which was meant to cover only September and October.

Under it, 12 of the 13 members are committed to limiting their collective output to 14.8m barrels a day in a bid to keep oil prices up in the face of a glut on the market. The one exception is Iraq.

Following the surge in Opec production this summer at the peak of the "price war," and a big build-up of stocks, there appears to be little scope for raising the production ceiling. Most Opec members are believed to favour extending the interim agreement.

But Saudi Arabia's demand for a radical renegotiation of the sharing system, which Kuwait also wants, is bound to create difficulties and prolong the conference. Sheikh Yamani himself said it could last two weeks.

Any proposals to change the share-out of quotas would have to be referred back to governments and heads of state, adding to the difficulties and length of time it would take to secure a new agreement.

Mr Gholamreza Aghazardeh, Iranian Minister of Oil, clearly wants to see the present limitation on production extended until the next scheduled Opec conference in December.

Dr Subroto, Indonesia's Oil Minister, said he favoured an extension of the interim agreement until at least the end of this year, and if necessary until April next year to give prices a sustained boost and to stabilise the market.

He also said he estimated that demand for Opec oil would rise to 17.5m barrels a day in the final three months of this year compared with present overall Opec output of around 16.8m b/d.

Yesterday evening Mr Rilwanu Lukman, Nigerian Oil Minister and current president of Opec, reviewed the monitoring of member states' output as reported to the Secretariat in Vienna. Overall, Opec output has been kept below the agreed ceiling.

One member, the United Arab Emirates, submitted no information about production levels. It is believed to have exceeded its quota by 300,000 or more barrels a day.

The figures show that Ecuador and Gabon were slightly above their entitlements.

Scope for output increase limited, Page 3

Japan drops cigarette tariffs under pressure from US

BY WILLIAM HALL IN NEW YORK

JAPAN has bowed to pressure from the US Administration and agreed to eliminate tariffs on cigarette imports in a move which is expected sharply to increase US exports to the world's second biggest cigarette market.

Japan has agreed permanently to "suspend" a 26 per cent tariff on foreign-made tobacco products which will drop the average price of US cigarettes in Japan by 9.3 per cent to $1.65 a packet. The decision follows years of complaints by US cigarette manufacturers that high tariff barriers effectively prevented them from competing in a giant market where cigarette smoking is widespread and growing.

Last year the US Administration launched an unfair trade practices complaint against Japan and threatened to impose tariffs on a wide range of Japanese manufactured products if the cigarette tariff was not eliminated. The Administration has been anxious to settle the dispute on favourable terms in order to foster goodwill among the electorate in key southern states in the forth coming congressional elections.

The move is a major breakthrough for the US cigarette industry, whose domestic sales are falling by between 1½ per cent and 2 per cent a year, partly because of the attention of the US anti-smoking lobby. Overseas markets are one of the few growth areas left for US cigarette manufacturers, and Japan, where over 60 per cent of the adult male population smokes, has long been regarded as a prime target.

US cigarette sales account for an estimated 3.6 per cent of cigarette consumption in Japanese urban areas, and the US Tobacco Institute said yesterday that the removal of the tariff could easily double the market share of US manufacturers. The Institute said that the Japanese action was "a very positive step and long overdue."

Philip Morris, whose Marlboro brand is the world's top selling cigarette, yesterday described the Japanese move as "very, very good news" and said that it was delighted. The company said that it expected cigarette imports to take a much larger share of the Japanese market following the agreement.

Senator James Broghill of North Carolina, the biggest US tobacco-producing state, said that the japanese move will "do much towards saving North Carolina jobs" and is a "step towards bringing more fairness to international trade."

CONTENTS

EUROPEAN NEWS

Tom Burns visits a Spanish copper community which faces extinction

Rio Tinto miners fight 'capitalismo Ingles'

THE VILLAGE of Minas de Rio Tinto is flanked by huge open cast mining pits and prim little villas, built for British engineers last century, which appear better suited to English suburbia than to the abrupt mountains of the Sierre de Huelva in south-west Spain.

A sullen and expectant peace has descended on Minas, in the heart of the Rio Tinto valley, and on the four villages that surround it since work resumed at the beginning of the month on the copper seams that gave the Tinto River its wine-dark hue and its name.

Neither the proprietors—Rio Tinto Minera (RTM) which is 49 per cent owned by Rio Tinto Zinc (RTZ) corporation—nor the labour force believe that the final curtain has been drawn on the most bitter local dispute since copper was first exploited in the valley in the early Bronze Age, around 3000 BC.

The pessimism is shared by the Socialist-controlled regional government of southern Spain, the Junta de Andalucia, which blocked RTM's attempt to impose a mass 18-month lay-off in July and ordered the company to restart its copper operations on October 1. Mr Jose Recio, the Junta's Minister in charge of regional Development, says that the Rio Tinto valley represents "a grave, a very grave problem, perhaps the biggest we've ever faced."

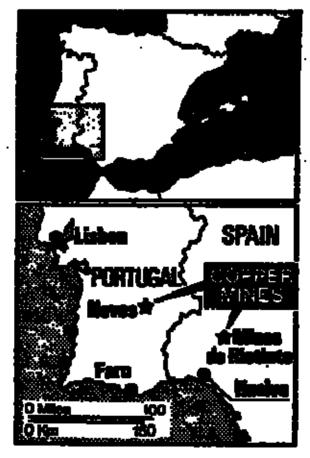
Confrontation came to a head last month when the three roads leading to Minas were blocked by picket lines while the Guardia Civil constabulary prudently retired to their barracks. Scarecrow dummies depicting "capitalismo Ingles" swung from the roadside pine trees where the pickets camped and company cars were barred from the area which RTZ has turned into an international business trademark.

A widespread distrust over what are perceived to be ruthless machinations by the British multinational has given added zest to a dispute which has to do essentially with the depressed world price for copper

Strictly enforcing a strike to pre-empt a feared company lock-out, RTM's labour force of 1,500 gathered by the main pit, once a reddish-tinged, gorse covered peak and now a gaping hole nearly 400 metres deep and more than a kilometre long at its widest point.

At the pit's entrance, on the northern boundary of Minas, grafitti included obsence rhyming slogans to the effect that the copper miners were fed up with the English "ladrones"—robbers.

According to the proprietors, copper exploitation is utterly unviable for the foreseeable future in the Sierra de Huelva. "It is costing us Pta 350,000 to produce one metric ton of copper which we are at present able to sell for Pta 185,000 and that's simply operating costs without including financial



charges," said Mr Eduardo Erzama, RTM's spokesman. The company lost Pta 1.18bn (£6m) last year, a further Pta 2bn in the first six months of this year and foresees losses of Pta 4bn for the whole of 1986.

RTM's labour force counters with the charge that the company management has little interest in making the mining complex viable. "Our future lies in new exploration and there is none of that," said Mr Miguel Romero, the local leader of the Socialist Union Generel de Trabajadores (UGT) trade union.

"There are many possibilities, there are the human and mineral resources to make the mines viable but there is a bad faith that is little short of employer terrorism."

In July RTM took the decision to cease copper production and to suspend a total of 1,300 men, the entire labour force concerned with copper operations, for 18 months. UGT's response was to stop work on the company's profitable gold and silver operations (the copper seams are covered by a layer of gossam which contains both metals) and to declare a strike at RTM's copper smelter in the nearby port of Huelva where about half of the ore processed is imported from an RTZ copper mine in Papua New Guinea.

By late August the dispute took a new twist when the Junta de Andalucia stepped in. The regional government adopted a report prepared by the UGT which argued the viability of RTM and persuaded the Employment Ministry in Madrid to block the company's lay-off plan. "First copper production has to start up again and only then can we talk about RTM's future," said Mr Recio.

Uppermost in the minds of the junta officials was the fact that, as Mr Recio put it, "RTM is more than a company, it is a sociological phenomenon. We're talking about five villages, about 300,000 people, who have lived off copper for more than 100 years."

Last week RTM's board backed down and the giant excavators began to work again. The company said it was resuming copper production as a "gesture of good faith" and "at the request of the Junta de Andalucia" but it did not pull its punches.

RTM bluntly said it was counting on support from the administration and on collaboration from its employees. "If the hoped-for help from the administration is not forthcoming," the board statement said, "the (copper) operations will cause losses that will endanger the survival of the company."

The explicit demand by the RTM board that the taxpayer should subsidise the company's losses finds a ready echo among the copper miners. "Let the Ingleses go, once and for all," said Mr Romero, the leader of the strike committee. "What the Government has got to do is to nationalise our mines."

As far as RTM's labour force is concerned RTZ holds the whip hand in the company. The other main shareholder, with a 49 per cent holding is Explosivos Rio Tinto, a Spanish conglomerate that received considerable state aid four years ago when it faced severe financial problems. The remaining 2 per cent is owned by Banco Urquijo

The UGT report on the company, which the Junta de Andalucia adopted, alleged that RTZ's dwindling interest in RTM is in direct proportion to its growing investment across the border in neighbouring Portugal.

France and Spain calm conflict over fishing

By David White in Madrid

A TRUCE in the Bay of Biscay fishing conflict, which came to a head in June when Spanish fishermen blockaded the French port of Hendaye for three days, has removed one of the two main sources of friction remaining between Paris and Madrid.

The settlement was the principal outcome of a weekend meeting near Saragossa which brought together foreign, agriculture and defence ministers and other high officials. Although problems remain between Spain and France over EEC policies towards non-member Mediterranean countries—competitors for Spanish farm products—the mood of the talks augurs well for the reception which Mr Jacques Chirac, the French Prime Minister, will get when he visits Madrid on November 6.

The talks were the sixth in a series of "summits" begun in 1983 to clear up bilateral misunderstandings, and the first since the Chirac centre-right government came to power in March. French moves to crack down on cross-border terrorist activity in the Basque region—10 suspects have been handed over to Spanish police—has meant that, to the surprise of most Spaniards, the climate is now at least as good as it was when both countries had socialist governments.

Mr Chirac's talks next month is due to be followed by a Presidential visit by Mr Francois Mitterrand in January, part of a programme of annual contacts agreed between the two countries.

The fishing agreement means that Spanish vessels will be able to resume activity from next week in the contested area of French-controlled waters in the Bay of Biscay known in Spain as the Eskota Triangle. In an effort to prevent over-fishing, Spain has agreed to supply a list of boats due to fish in the area, where they were accustomed to operate under licence until EEC entry this year.

Fishermen's organisations on both sides of the border are meanwhile being given until June 30 next year to draw up a "code of good conduct" to avert more ugly incidents. Legal actions in both countries against individual fishing vessels are being dropped, although Mr Francois Guillaume, the French Agriculture Minister, said compensation would still be sought for the damage done in the Hendaye blockade.

The two sides also moved to co-ordinate their positions on some agricultural dossiers in the EEC, including vegetable oils and the distillation of surplus wine.

Chirac to plead for Paris to host Olympics

BY PAUL BETTS IN PARIS

MR JACQUES CHIRAC, the French conservative Prime Minister, is planning to make a last ditch effort to win the 1992 Olympics for France by pleading personally the case for hosting the games in Paris before the International Olympic Committee (IOC) in Lausanne later this month.


Mr Chirac

The initiative of Mr Chirac, who is also mayor of Paris, comes at a time when Barcelona appears to have taken a clear lead in the 1992 Olympic stakes. The final choice for both the sites of the 1992 summer and winter Olympics will be taken by the 88 members of the IOC in a vote in Lausanne on October 17.

Mr Chirac plans to argue the case of his city before the Olympic panel the previous day to try to swing the vote in favour of the French capital for the summer games. France is also bidding to host the winter Olympics in 1992 at Albertville in Savoy. Its chances of clinching the winter games for Albertville are extremely good and much stronger than those of Paris for the summer Olympics.

Lobbying by the leading candidates for the games has intensified as the Lausanne deadline gets closer. At the latest count, Barcelona is believed to be able to rely on about 42 of the 88 IOC votes bringing it within a hair's breadth of the required majority of 45 votes.

But France, which has mounted a campaign backed by both President Francois Mitterrand and Mr Chirac, has argued extremely vocally that the games should be held in France since 1992 will be the centenary of the appeal launched by Baron Pierre de Coubertin for the revival of the Olympic Games.

France has also suggested that it should host both the summer and winter Olympics to mark the centenary of the appeal of the French founder of the modern games just as it did in 1924 when the summer games were held in Paris and the winter Olympics at Chamonix. However, since the last war no country has hosted both the summer and winter games.

For its part, Barcelona has the advantage that it would be the first time Spain hosts the games, while they have been held in France in 1900 as well as 1924. Moreover, Barcelona announced it was a candidate for the games in 1981 well before Paris three years later, prompted in large part by the success of the 1984 Los Angeles Olympics.

The financial success of the Los Angeles games radically changed the attitude of countries and cities towards the Olympics whose attraction for promoters had slumped after the terrorism in Munich and the financial fiasco of Montreal. While Los Angeles had been the only candidate for the 1984 games, there are this time six candidates for the 1992 summer games and seven for the winter Olympics.

Apart from the two front runners Barcelona and Paris, Brisbane is regarded as a possible outsider for the summer 1992 games. The other three candidates given little if any chance at all are Amsterdam, Belgrade and Birmingham. The candidates for the winter games apart from Albertville are Falun in Sweden, Berchtesgaden in West Germany, Anchorage, Cortina d'Ampezzo, Lillehammer in Norway and Sofia.

The fact that the president of the Olympic committee is a Catalan is also viewed in Paris as an additional advantage for Barcelona. However, Mr Juan Antonio Samaranch, the president of the committee and a former Spanish sports minister under General Franco, has gone at great lengths to stress his impartiality and has indicated that he will not take part in the crucial vote in Lausanne at the end of next week.

But French lobbyists have also been going round suggesting that Mr Samaranch has been promised a title by King Juan Carlos of Spain if Barcelona is selected.

Mr Chirac also claimed yesterday that the recent wave of terrorist bombings in Paris had not reduced the French capital's chances to host the games. The French Prime Minister said on radio that members of the Olympic Committee had indeed felt that not to support France would be playing into the hands of the terrorists.

He added that they expressed confidence in France's ability to come successfully to grips with terrorism. He also said that they had been impressed by the way the world volley ball championships which have just ended in Paris were organised.

Polish bishop tells of danger to ecology

By Christopher Bobinski in Warsaw

THE Roman Catholic Bishop of Katowice in Poland's industrial heartland of Silesia has warned the area faces an ecological disaster if industrial development in unchecked.

Bishop Damian Zimon said in a pastoral letter that "further development of industry in Silesia is suicide talk." He urged that coal output in the area, which provides 98 per cent of the country's output be cut.

The Bishop urges the local population to show greater awareness of the problems. Since the early 1980s local officials have tried to resist the heavy industry lobbies which are demanding to be allowed to continue to invest in the area.

The Bishop quotes official figures and warns that infant mortality is 15 per cent higher than elsewhere, the incidence of cancer is 30 per cent higher and respiratory diseases 50 per cent higher.

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EUROPEAN NEWS

Opec scope to increase oil output is 'limited'

By Richard Johns in Geneva

THE International Energy Agency's (IEA) latest projections for oil demand suggest that the Organisation of Petroleum Exporting Countries (Opec) has only limited scope for raising its current 16.8m barrels a day ceiling on output in the immediate future.

The maximum requirement for members' crude in the fourth quarter is put at 17.5m b/d after taking into account other supplies.

Real demand, however, is likely to be much lower because of the big build-up of stocks in the third quarter as a result of a high level of Opec production in July and August when it averaged over 20m b/d.

Preliminary data available to the Paris-based agency indicates that stocks rose at a rate of 1.6m b/d during the third quarter in the 22 industrialised states making up the Organisation for Economic Co-operation and Development which is responsible for about three-quarters of oil consumption outside the communist world.

Build up

The revised data for the second quarter of 1986 show an increase in OECD stocks of 1.2m b/d.

The IEA's latest monthly oil market report says that the third quarter build up is likely to be larger than 1.6m b/d when the volume of long haul oil lifted in late August is known.

"The rate of stock drawdown in the fourth quarter of 1986 will of course affect the need for liftings during the period." it says. Inventories in OECD member countries are estimated to have totalled 440m tonnes on October 1 compared with 416m tonnes a year earlier. They amounted to 96 days of forward consumption.

Th IEA reckons that Opec crude output was about 16.8m b/d last month in line with the interim agreement reached here in early August. Then 12 of the 13 members undertook to observe quotas restricting their collective production to 14.8m b/d in September and October.

Norwegian krone comes under renewed pressure

BY FAY GJESTER IN OSLO

PRESSURE on the Norwegian krone continued yesterday despite last week's relatively stringent budget plans for 1987 tabled by the minority Labour Government.

Market sources said that selling pressure came mainly from Norwegian companies and individuals, and was not as strong as last week, when the Bank of Norway spent an estimated NKr 8bn to NKr 9bn (£752m to £846m) in support buying.

The krone's rate against other currencies was maintained during yesterday morning, but only because the central bank again intervened heavily, spending more than NKr 1bn before midday.

Mr Håkon Kristoffersen, head of the foreign currency section of Christiania Bank, said he was surprised to see the trend continuing. He added, however, that there appeared to be no sign of a let up.

The Oslo stock exchange reacted negatively to the budget, with industrial and bank shares losing most ground.

In his budget speech to the Storting (parliament), Mr Gunnar Berge, the Finance Minister, warned that Norway faced a long period of austerity. There was a "basic imbalance" in the country's economy which would take many years to correct, and which would still have to be dealt with, even if oil prices should recover. Everyone would have to make some sacrifice in order to safeguard full employment and secure economic freedom of action in the short and long term.

Mr Berge said the fall in oil prices was not the sole cause of present difficulties. Norway was now receiving the bill for two years of record growth in private consumption—much of it financed by borrowing—which had not been matched by any significant increase in Norwegian production, and which the previous, non-Socialist Government had "not had the will" to curb when it began running out of control.

Unions, employers step up action in Swedish strike

BY SARA WEBB IN STOCKHOLM

SWEDISH UNIONS and employers have decided to step up action as the public sector strike enters its second week. For the moment, neither side shows signs of getting back to the negotiating table.

More workers are due to come out on strike this week. The employers have come up with their traditional retaliatory step, threatening to lock out over 2,000 bus drivers and local transport office workers from next Monday.

Already, more than 19,000 public sector workers have come out on strike, including nurses, child care workers, and administrative staff in the local authority and government offices. Another 600,000 blue-collar workers are currently refusing to work overtime, while more have threatened to work to rule from Thursday.

Yesterday, the professional workers union, Saco/SR-S, joined the dispute and threatened to bring more than 3,000 members out on strike, as well as issuing an overtime ban for another 50,000 white-collar workers from midnight next Tuesday.

Those called out on strike mostly include administration workers in the meteorological offices, telecommunications field, and state power company, as well as some prosecutors and ship pilots (whose strike action is meant to cause delays in the delivery of imports and exports).

However, Saco's action adds confusion to the unions' stance. It had been the only confederation which agreed to the state-appointed mediating commission's final offer tabled in the middle of September.

Interpol to seek role in fighting terrorism

INTERPOL, the international police organisation, has served notice that it will seek a bigger role in the battle against rising international terrorism. Reuter reports from Belgrade.

The world's top policemen gathered in Belgrade yesterday for Interpol's 55th annual assembly, a week-long event normally aimed at coordinating police efforts in fighting international crime. But Mr Raymond Kendall, the organisation's secretary-general, said last night the meeting would also consider changes to Interpol's statute to give it greater power to combat urban guerrilla groups.

Interpol was limited by restrictions in its statute that excluded it from intervening in terrorist cases of a political nature, Mr Kendall said.

Swiss interest rates

Switzerland's big banks have announced a further cut of 0.25 per cent in their time-deposit rates, John Wicks writes from Zurich. With immediate effect, all maturities from three to 12 months will bear an interest rate of 3.5 per cent. This is the fourth reduction in time-deposit rates since as recently as early July and means a full 1 per cent drop in three months.

West German growth

The IFO economic research institute forecast that industrial investment in West Germany wou'd continue to expand in 1987, but at a slower rate than in the previous two years, Reuter writes from Bonn. It said in a report that investment in manufacturing industry would rise by 5 per cent next year, after increasing by 10 per cent this year and by an unusually strong 16 per cent in 1985.

Gibraltar air request

The Gibraltar Airline GB Airways has applied to the Civil Aviation Authority in London for the right to fly to European routes, a major departure from its present profile. Joe Garcia writes from Gibraltar.

GB Airways shares the London-Gibraltar route with British Airways and Air Europe. It also flies to nearby Tangier in Morocco.

Congress seeks compromise on defence spending

BY LIONEL BARBER

REPRESENTATIVES of the House and the Senate were locked in talks yesterday aimed at resolving an impasse over defence spending and proposals which would curb President Ronald Reagan's flexibility at the Iceland talks.

A $562bn spending bill, already passed in the Democratic-controlled House, would reduce spending on the so-called "Star Wars" Strategic Defence Initiative, impose moratoriums on testing anti-satellite and nuclear weapons, and require an end to the production of chemical weapons.

The bill would also force the Administration to comply with the limits on the unsigned Salt II strategic arms limitation agreement.

The Senate has also approved legislation covering similar issues, but in much milder form. The Senate bill would cut the fiscal 1987 SDI budget by$700m less than the House to $3.9m. The Senate also approved a non-binding resolution calling for negotiation of a comprehensive test ban treaty and ratification of pending treaties restricting underground tests.

The White House has been fighting Congressional efforts t oreduce defence spending and limit the freedom for manoeuvre which President Reagan has in negotiations with Moscow.

President Reagan appealed to Congress over the weekend to drop those proposals which would tie his hands. He has threatened to veto the spending bill unless Congress meets his demand.

A conference committee of the House and the Senate was meeting yesterday to try to fashion a compromis. One Congressional official said that the most likely outcome was to postpone a decision on the proposals in the arms spending package which the President opposes until after the summit. "We cannot go ahead with all this in the current summit atmosphere," he said.

President Reagan is particularly sensitive to Congressional pressure for a nuclear test ban. In recent statements, the Soviet Union has made a moratorium on nuclear testing a centrepiece of its pre-summit propaganda.

De Lorean fraud trial opens

THE TRIAL opened yesterday of former car maker Mr John De Lorean, who is accused of defrauding investors in his defunct Belfast sports-car company of $8.9m, AP reports from Detroit.

The first two weeks is expected to be taken up with jury selection. The trial at the Detroit district court has been delayed 11 months.

A grand jury indictment last year accused De Lorean, 61, of syphoning money from De Lorean Research Ltd, a company created to pay for technological development of the advanced sports car, into various European banks and then into his own accounts.

The indictment alleges that De Lorean spent more than $8m of the money to repay loans and $28,000 to buy a gold ring and gold bracelet.

He is also accused of racketeering, a catch-all term in US law covering various criminal activities, usually involving monetary fraud. The maximum penalty is 20 years in prison.

De Lorean founded De Lorean Motor Co. in 1975 to build stainless steel sports cars with gull-winged doors at a plant in Northern Ireland. The company filed for bankruptcy in 1982.

In 1984 he was acquitted of handling $24m worth of cocaine.

Peter Montagnon on a change in attitude by Latin American debtors and creditors

Mexican package signals new approach

"PLEASE, BANKERS, do not panic," urged Dr Carlos Langoni, a former Brazilian central bank president, as he spelled out the bad news to a conference in Miami last weekend.

From now on, he said, there would be an increasing tendency on the part of Latin American countries to take unilateral action to reduce their debt service burden and this action would involve setting new interest charges below normal market levels.

Most of the bankers present at the two-day conference organised by the International Finance Corporation and the banking magazine Euromoney, took him at his word. They *neither panicked nor disagreed.*

For the latest rescue package negotiated for Mexico by its major commercial bank creditors last week proved so difficult to agree that once-taboo subjects like interest rate relief are now part of the legitimate agenda for debtors and creditors alike.

Far from being the first of a new type of rescue package, many bankers regard Mexico's latest deal as the last of the old-style operations in which creditors put up large amounts of new money just so that interest payments can be maintained.

It is easy to see why these loans should have lost their appeal for debtors, despairing of the prospect that they will be able to resume normal market borrowing in the foreseeable future. It is less easy to see why the loans are suddenly also less attractive for many lending banks, who have used them to keep their exposure to Latin America current during four years of crisis.

One senior Latin American official, who followed the Mexican talks closely to see what application they might have for his own country, explained at the International Monetary Fund annual meeting last week that the key to the region's current thinking is its urgent need for a resumption of economic growth.

Political pressure for growth is building up inexorably in Latin America after four years of economic stagnation and decline. At the end of last month Mr Alberto Dahik, Finance Minister of Ecuador, resigned after being impeached by his country's congress for introducing measures to liberalise local foreign exchange and money market trading.

This shows how unremitting political pressures have become, even in countries normally regarded as model debtors for their pursuit of economic adjustment.

Latin American officials say that growth cannot resume while all available resources are being transferred abroad in the form of debt service. Either additional finance is needed to pay for extra imports of capital goods or debt service payments must be cut.

Mr Langoni . . . panic plea

Extra finance at market rates is unattractive, however, because it means adding to the stock of debt outstanding and this piles up problems in the longer term. Reducing debt service, possibly along the lines already adopted by Peru, which limits debt service payments to 10 per cent of exports, is now a preferable solution.

So great is the political pressure on the governments of Latin America to revive their economies, that some officials are again talking privately of the possibility of a viable debtors' cartel. There is no sign of this in practice, but it has not escaped the attention of creditor banks that the latest Mexican negotiations have been marked by an unusually intense level of consultation between the region's various debtors.

As a result, lenders too have begun openly to question the wisdom of putting up fresh money for the debtors. The latest deal for Mexico, which involves $6bn in fresh money from the banks plus a commitment to put up a further $1.7bn, depending on oil price and other economic developments, was struck *in* principle only after brutal pressure from Mr Paul Volcker, chairman of the US Federal Reserve Board.

It was an open secret at the Washington IMF meeting that many banks on the Citibank-led advisory committee of leading creditors were unhappy with the latest package. They felt that they were steam-rollered by politicians into a deal that was unsound from a commercial banking point of view because it basically involved throwing good money after bad.

In itself, that is likely to make the Mexican package particularly difficult to sell, particularly to smaller creditor banks in the US who are already in rebellious mood.

Mr Louis Schirano, senior vice president of First Interstate Bank, spoke for many such banks over the weekend when he said in Miami that US regional banks simply no longer regard Latin American debt as their problem.

It was, he said, the problem of a dwindling number of big US money centre banks with large loan exposures and inadequate loss provisions. There was no reason why regional banks should be compelled to put up fresh money simply to bail these banks out.

If that is true, the latest Mexican deal represents a hollow victory for Mr James Baker, US Treasury Secretary, who hoped it would be a model for his one-year-old plan for easing the debt problem. Mr Schirano believes the debt problem is no longer essentially a banking one. Instead, it is the largest single political issue between the US and Latin America, against which "Nicaragua pales by comparison."

Significantly the Central Intelligence Agency sent a delegate to the Miami banking conference. The US Department of the Army sent two and the State Department four. Mr Baker's Treasury officials were conspicuous by their absence—but bankers believe that in its turn his department will soon come under pressure to pick up a larger share of the debtors' tab.

Mrs Gorbachev catches White House on the hop

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE WHITE HOUSE was wrestling yesterday with the question fo how to respond to a summit surprise by Mr Mikhail Gorbachev, the Soviet leader—his decision to bring with him to Reykjavik his telegenic wife Raisa.

Mr Larry Speakes, the White House spokesman, conceded that Washington only learnt about the Soviet move from a report on Icelandic television on Saturday. "We were surprised to learn that Mrs Gorbachev is coming," he said.

Mr Speakes said Washington saw the meeting in Iceland as a "straightforward business meeting" and had only planned on taking a limited number of public officials, Mrs Reagon not being one of them.

He declined, however, to draw the conclusion suggested by reporters that the Soviet decision suggested that they were approaching the meeting in a less business-like mood.

At the last full summit in Geneva in November last year both leaders wives accompanied their husbands. Mrs Gorbachev, who shares Mrs Reagan's taste for elegant clothes, has made a striking impression in such bastions of *haute couture* as Paris and London.

Mrs Gorbachev's appearance in Reykjavik is bound to attract the attention of the dozens of underemployed western cameramen if, as the White House wants, a news blackout prevails.

This could only work to Mr Reagan's disadvantage and give the Soviet's a better chance of stealing the limelight. But to throw Mrs Reagan into the fray as an apparent afterthought at this late stage casts President Reagan in a defensive and reactive mode.

Supreme Court upholds Polaroid's patent claim

BY NANCY DUNNE IN WASHINGTON

THE US Supreme Court, with a new chief justice and a new member, yesterday opened its 1986-87 term by upholding a lower court ruling that Kodak infringed patents held by Polaroid in a case which forced Kodak out of the instant photography business.

The ruling by the US court of Appeals in April forced Kodak to stop producing instant film and cameras, a loss to the company of about $100m a year. The decision also left 16.5m owners of Kodak instant cameras unable to get film.

The decision may be one of the least contentious this year. The ideologically-divided court, led by one of the most controversial chief justices in its history, must rule on a wide range of difficult questions,

Mr William Rehnquist took the bench as chief justice for the first time after a bruising Senate battle, which ended with a third of the senators voting against him.

Mr Antonin Scalia, the new justice who has taken Mr Rehnquist's former seat, is also a conservative, but is thought to be highly intellectual and not an ideologue.

A favourite issue of American conservatives to be heard this year, but Mr *Rehnquist* will state to require public schools to teach "creationism" if they teach the theory of evolution. Creationism attempts to establish a scientific basis for biblical teachings about beginnings of man and the world.

The court has also agreed to decide whether the law, which bars discrimination against the handicapped, applies as well to people with contagious diseases, like Aids.

Another case challenges the Georgia death penalty law on the grounds that killers of whites are more likely to receive death sentences than killers of blacks.

On Wednesday the court will hear a challenge to a California law which requires businesses to give women four months' unpaid maternity leave.

Poll reveals opposition to Chile's state of siege

BY MARY HELEN SPOONER IN SANTIAGO

TWO OUT OF THREE Chileans oppose the state of siege, according to a poll by the liberal Centre for Contemporary Studies taken during relative political calm in the summer.

A state of siege was re-imposed after the attempted assassination of Gen Augusto Pinochet on September 7.

The measure gives the government extraordinary powers to deal with internal security threats, such as arresting people for up to 20 days without formal charges.

The poll showed 64.4 per cent opposed the state of siege, while 26.2 per cent approved. There was also widespread opposition to other restrictive measures: 81.5 per cent opposed press censorship; 75.8 per cent opposed exile; 82.5 per cent opposed police actions to break up demonstrations, such as the use of tear gas and sticks against protestors.

Marcos in $10m Philippines suit

FORMER Philippines president Mr Ferdinand Marcos has asked a federal judge for permission to sue the Philippine Government for at least $10m, AP reports from Honolulu.

His claim follows a move by the Philippine Government of Mrs Corazon Aquino to recover $1m in Philippine pesos taken from Marcos by US customs officials when he arrived in awaii last February.

Marcos said the Philippine Government was keeping him in the US against his will, seizing his property, defaming his reputation and violating his rights and his privacy.

US dock strike postponed

US EAST coast ports were back to normal yesterday after 30,000 dockworkers returned to work. William Hall reports from New York.

The three day strike ended after employers and dockers agreed to extend the current labour contract for another 45 days.

Port officials said the dockers were working normally pending further negotiations between the International Longshoremen's Association (ILA), the New York Shipping Association and the Council of North Atlantic Shipping Associations.

WORLD TRADE NEWS

Moscow and Helsinki in new deal on trade

By Olli Virtanen in Helsinki

FINLAND'S costly trade surplus with the Soviet Union will be partly alleviated by setting up a new interest-bearing account for about $350m (£243m).

Finland's total surplus for 1986 is expected to reach $800m. The move is a major concession by Moscow which until now has regarded the imbalance as only temporary which did not require special arrangements.

The terms of the special account have not yet been agreed although, according to Finland's Foreign Trade Minister, Mr Jermu Laine, they would include a "world market interest" and guarantees on the exchange rate of the rouble.

Finnish officials worry that Moscow will devalue the rouble in the face of its declining export earnings.

The surplus in Finland's favour accrues from low oil prices which reduces the value of imports from the Soviet Union. The maximum surplus either way agreed in the bilateral trade protocol is set at $400m.

The present bilateral trade agreement between the two countries stipulates that export and imports should balance each other in the long run.

The Bank of Finland has established a clearing account for the payments.

David Dodwell on the development of a neglected Chinese island

Hainan turns key on gas-based future

LIN SHUYIN, head of the Planning Commission in the remote and neglected island of Hainan off China's southern coast, is drafting plans for an array of heavy industrial projects that are likely to transform the face of the island's economy.

The plans relate to the estimated 3.25bn cubic metres of natural gas that should be arriving onshore by 1989 from the Yinggehai Field recently discovered by a joint venture comprising Atlantic Richfield (Arco), Santa Fe Minerals of the US and China's National Oil Corporation (CNOOC). They range from a power plant to cement and fertiliser production and include projects for sponge iron manufacture, as well as a glass plant and a factory processing the rich local reserves of titanium.

Celebration over the considerable boost natural gas will give to Hainan's economy would be all the greater if it were not offset by the litany of failures recorded by most other international oil companies as they have searched for oil in the South China Sea.

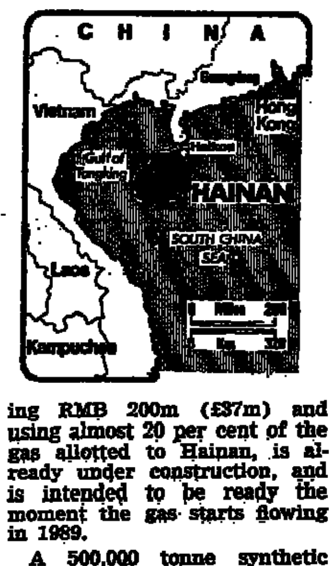
In energy-starved Guangdong province, where heavy infrastructure spending has been made by the Chinese Government in anticipation of oil finds in the South China Sea, the feverish activity in Hainan contrasts painfully with the steady depopulation of would-be oil bases like Zhanjiang and Shekou.

For those who remain optimistic that oil will eventually be found, Mr Lin's ambitious plans provide a vivid illustration of how powerfully oil discoveries could boost the economy of southern China as governments at local, provincial and national levels come to grips with the gigantic task of modernisation.

Initial appraisals of the Yinggehai gas field 100 km south-west of Hainan, suggest total reserves of 90bn cubic metres, which would make Yinggehai the largest gas field in China. Arco recently committed itself to piping onshore 3.25bn cubic metres a year, starting in 1989.

From the landfall at Meishan, the Hainan authorities intend to tap almost one third of the gas coming onshore. CNOOC plans to channel the rest onto the mainland, where it would be piped into Chinese homes along the length of the south China coast, and could be used for power generation and numerous other heavy industrial projects.

Whether these latter ideas materialise depends partly on whether finance can be obtained for the $400m pipeline, and whether utilities in Hong Kong can be persuaded to buy gas for hard currency. In Hainan, first priority will be to supply 120,000 households—perhaps a sixth of the island's 5.9m population—with gas for domestic use.



A 100Mw power plant, costing RMB 200m (£37m) and using almost 20 per cent of the gas allotted to Hainan, is already under construction, and is intended to be ready the moment the gas starts flowing in 1989.

A 500,000 tonne synthetic ammonia plant, which is likely to be located near the power plant in Hainan's northwest, is likely to be the heaviest single user of the gas alloted to Hainan—perhaps as much as 470m cubic metres a year. Proposals for the $200m plant are under way with a prospective Kuwaiti partner.

An application has been made to Peking for construction of a 300,000 tonne a year cement plant, likely to cost RMB 140m, and a feasibility study is now in progress.

The remaining three projects are intended to exploit Hainan's own natural resources: a sponge iron plant using ore from the massive Silu iron mine in the west of the island, a glass plant making almost 3m cases for plate glass a year and using the island's fine sands and a plant making titanium white, a chemical in short supply both in China and worldwide.

Mr Lin insists that concern on the part of officials in Peking over the availability of sufficient electricity for the planned steel plant has been overcome, and that the RMB 700m plant should ready early in the 1990s. Both the glass and the titanium white factories will need foreign partners, and will be relying on the export of at least part of the planned output to meet foreign exchange costs.

Further fuelling optimism on the island is the resumption of onshore exploration for oil in the Foshan depression in the north.

Thanks to the discovery of gas, Hainan is already the envy of the rest of southern China. If a search by CSR proves successful, then oil majors elsewhere will be greener than green—but will have to comfort themselves with the fact that further discoveries will benefit not Hainan alone, but Guangdong and a number of provinces beyond. After the disappointments of the past three years, no one is likely to get too excited too soon.

Eximbank to help finance Turkish motorway

By David Barchard in Ankara

EXIMBANK of the US is to make $200m (£138m) available for the financing of a 280-km motorway between Ankara and Gerede, to be built by a consortium of Bechtel of the US and Enka Insaat of Istanbul.

The consortium, which is one of a number bidding for major trunk roads contracts in Turkey, was awarded a letter of intent by the Government in July.

The government of Mr Turgut Özal is planning to build major motorways linking Istanbul with Ankara and also with Izmir and ultimately Adana at the far end of the country's Mediterranean coastline.

The total cost of the Ankara-Gerede motorway is expected to be around $400m and it is assumed that the remaining portion will be financed by a loan from the international commercial banks, of which Enka is thought to have already secured $80m.

Eximbank is already supporting Bechtel with a $400m credit for a 2 x 489 Mw coal-fire power plant planned for Tekirdag on the coast of the sea of Marmara near Istanbul, where Bechtel is leading a consortium negotiating on the "build-own-operate" basis favoured by the Özal government.

Egyptian military city order goes to British company

BY TONY WALKER IN CAIRO

A BRITISH company has won a contract from Egypt for construction work at a new military city west of Alexandria under a British Government backed £150m line of credit. The contract went to Cementation International of the UK.

British companies have also been successful in securing contracts for a new tank factory being built near Cairo, utilising the same credit facility.

Agreement on the UK credit, backed by the Export Credits Guarantee Department (ECGD) was signed in June.

Lloyds Merchant Bank is lead manager of the credit line which has been made available exclusively to Egypt's Ministries of Defence and Military Production.

Dorman Long Overseas will supply structural steel components for the tank factory at which Egypt plans eventually to assemble its own battle tank.

Factory 200 will also be used to service Egypt's US-supplied M-60 tanks which are the backbone of its armoured regiments.

Ajax Machine Tool Company of the UK has been awarded a £350,000 contract to provide equipment for the factory's main production line.

United Builders Merchants of the UK is expected to provide construction materials for the new military city at Hamam.

Meanwhile, Field-Marshal Abdel Halim Abu Ghazala, the Egyptian Defence Minister, was quoted by the local press as saying that the American M-1 battle tank would be manufactured at the new tank factory.

However, the M-1 is believed to be just one of several contenders, including the Vickers Mark-7 which underwent trials in the Egyptian desert last year. It is expected to re-trial in the new year.

Other contenders include the Italian Oto Melara OT-40 and the Brazilian Onsorio. Field-Marshal Ghazala is also reported to have announced that Egypt would phase out its ageing Soviet-supplied tanks, including the T-54.

In an address to newspaper editors on Sunday, Egypt's President Hosni Mubarak defended military expenditure against opposition criticism, saying: "With a strong army capable of defending the country, all other parties, be they regional or non-regional powers, will not take us lightly."

Chile copper group fixes credit line with UK bank

BY CHRISTIAN TYLER, TRADE EDITOR

CHILE'S state-owned copper company, Codelco, has arranged a line of credit with a UK bank, reinforcing a move away from US sources of supply for a its $2.6bn (£1.8bn) investment and purchasing programme over the next five years.

The sterling credit, for contracts won by UK companies in the next 12 months, was arranged with the export finance arm of Midland Bank and is backed by the British government's Export Credit Guarantee Department.

Details of the agreement emerged in London yesterday as a delegation from Codelco was briefing about 150 British companies on the mining company's requirements.

Mr Holger Bannach, Codelco's executive manager for procurement, said encouragement of non-US suppliers had been due to the relative strength of the dollar against European currencies.

But the move may also be seen as a precaution against deterioration in Chile's relationship with the US following the recent internal crackdown in the wake of last month's assassination attempt on Gen Augusto Pinochet.

The US Administration warned this summer that it may veto a forthcoming World Bank loan of $250m to show its disapproval of the military régime's abuse of human rights.

The World Bank is acting as guarantor of the new commercial bank lending of $250m-$300m that Chile may be seeking next year.

Commenting on that prospect yesterday, Mr Bannach said: "It might happen. We have other possibilities for getting credit. That is something we shall overcome.

"If we don't get credit and don't get supplies, we may just have to pay half a per cent more interest."

Codelco plans to invest over $800m in the copper mines over the next five years to maintain production in the face of falling ore grades and a price slump in the last two years. Copper accounts for nearly half Chile's export earnings.

The plan also calls for around $250m a year of spending on operational supplies of all kinds.

Dependence on the US has already been reduced, with the Japanese increasing their share of project work and equipment supplies. Mr Bannach said some Japanese trading houses had provided 100 per cent finance.

Codelco is also buying more from Western Europe, including Sweden, Finland and West Germany, according to the British embassy in Santiago.

Yesterday's briefing at the London Chamber of Commerce was lobbied by demonstrators from the Chile Solidarity Campaign.

EEC set to retaliate over US defence bill

THE EUROPEAN Commission has told the US that its access to EEC government contracts may be severely curtailed if Congress includes new "buy American" clauses in a defence bill, Reuter reports.

Commission officials yesterday released the text of a letter sent last week to the US State Department expressing alarm at the clauses contained in a House of Representatives bill.

The measure would require the US Defence Department to give priority for contracts to US companies if the gap between their bids and those submitted by foreign companies did not exceed 5 per cent. This would apply provided the US companies' products had at least 50 per cent US content.

"These moves to increase protection for US firms would . . . violate the Gatt (General Agreement on Tariffs and Trade) agreement on government procurement and will be counter-productive in any future review or renegotiation," the letter said.

The EEC believed that the adoption of the House bill would "seriously impair" the benefits the Community obtains from a code designed to open competition for government contracts to all Gatt contracting parties," the letter added.

If this proved the case, the EEC "would be obliged to consider the suspension in whole or in part" of its application of the code to the US, the letter went on.

A commission spokesman said that in 1984, the code applied to $20bn (£13.8bn)-worth of US Government purchases, at least 80 per cent of which were by the Pentagon.

Of these contracts, mainly for clothing, food and electronic products, $17.6bn-worth were awarded to US companies and $1.3bn to companies in the EEC.

Commission officials were unable to give figures about recent EEC purchases of US goods under the same code.

Congressional aides said last week that the "buy American" provisions were part of Congress's continuing effort to curb imports. But Reagan Administration officials warned that if the clauses became law, they would inevitably trigger retaliation.

● The US may raise protectionist barriers against Japanese construction companies if US groups are not given fair access to Japan's market, Mr H. P. Goldfield US Assistant Secretary of Commerce, said.

The US has demanded that the bidding system for major construction projects in Japan be made "open, transparent and non-discriminatory," he added.

"US (design, engineering and construction) companies are . . . extremely competitive throughout the rest of the world but are not even allowed to compete in Japan, and that just is not fair," he said. "US firms are running out of patience."

Mr Goldfield is leading a commission of US government and business representatives to urge Japan to give foreign companies a fair chance to bid for contracts on new large building projects.

Jakarta surplus falls

Indonesia's trade surplus fell to $275.9m (£191m) in July, compared with $784.9m in June and $1.01bn in July 1985, mainly because of a sharp fall in exports, Information Minister Harmoko said yesterday, Reuter reports.

Provisional figures showed Indonesia exported goods in July worth $1.20bn compared with imports of $926.9m.

June exports were $1.67bn and imports $889.9m against exports of $1.756bn and $747.2m imports in July 1985, according to the Central Bureau of Statistics.

Israeli bombers hit eight villages in N Lebanon

BY NORA BOUSTANY IN BEIRUT

ISRAELI warplanes bombed eight villages in the north Lebanese province of Akkar yesterday directly hitting a base, training fields and an ammunition dump used by the Marxist Popular Front for the Liberation of Palestine.

It was the first Israeli air strike in north Lebanon in 15 months but the 12th in Lebanon this year. A PFLP official in the village of Hummeira, north of the port city of Tripoli, said seven fighters were wounded and two civilians slightly injured.

The air raid centred on a cluster of villages 25 km north-east of Tripoli and Palestinian refugee camps on the edge of the northern harbour.

It was not clear whether the strike was in retaliation for a particular guerrilla operation. Israel has reserved the right to strike suspected guerrilla targets at will.

The raid came two days before Mr Shimon Peres, the Israeli Prime Minister, visits Paris and followed accusations by the French Government against members of a north Lebanese family for a series of bomb attacks in the French capital.

Followers of George Ibrahim Abdallah, a Christian Maronite Marxist, from the north Lebanese village of Qobayat, have been pressing for his release from a French prison. The Committee of Solidarity with Arab and Middle Eastern political prisoners, a front organisation believed to be linked to other European terrorist networks, claimed responsibility for a spate of bombings in Paris last month in which nine people died and 163 were wounded.

The French Government has blamed Abdallah's four brothers, now living in Qobayat, for planting the bombs and offered awards of up to FFr 1m (£100,000) for information leading to the suspects.

The brothers have proclaimed their innocence to journalists in Lebanon and are planning to file a suit against the French Government to clear their name. George Abdallah was a PFLP member before forming his own organisation, grouping radical Lebanese Christians.

The Armed Revolutionary Lebanese Factions, which Abdallah allegedly heads, claimed responsibility for the killing of American and Israeli diplomats in 1982.

Complaints on Chinese price rises

By Robert Thomson in Peking

THE Chinese Government admitted for the first time yesterday that rising prices had caused widespread complaints from consumers and hindered the introduction of its politically-sensitive and ambitious price reform policy.

A Government circular released last night said more than 146,000 cases of price control violations had been discovered in the first half of the year.

The State Administration of Commodity Prices said the violations "have directly harmed the interests of consumers whose complaints have been increasing." The administration is to introduce a stringent inspection programme designed to uncover price rises, 70 per cent of which are blamed on retail outlets and private businessmen.

China's inflation rate is officially put at about 7 per cent though diplomats suggest the rate could be almost double that.

It has been reported that concern over rising prices prompted a minor riot several weeks ago in the central Chinese city of Xian. Officials have refused to comment but several newspapers have suggested fears of huge price increases are unfounded.

Syria accused of involvement in plot to bomb El Al airliner

SYRIA was involved in a plot to bomb an Israel jumbo jet out of the sky and the man accused of the attempt told police he met the head of Syrian military intelligence and agreed to carry out attacks on Israeli targets, a British prosecutor said yesterday, Reuter reports from London.

Presenting opening arguments at the trial of Nezar Hindawi, 32, the Crown prosecutor said Hindawi told investigators he met the intelligence chief in Damascus and was given $12,000 to destroy the El Al Boeing 747 carrying 375 people as it flew over Austria in April.

Hindawi, a Jordanian, is accused of attempting to have his pregnant Irish girlfriend carry a bomb hidden in her luggage aboard the plane. He has denied the charge and two counts of illegal possesion of a handgun and ammunition.

The prosecutor said Hindawi told police after his arrest that he delivered a letter to the Syrian ambassador to London, Mr Loutof Allah Haydar, when the plot foiled and the envoy called Damascus for further instructions.

The girlfriend, Miss Anne-Marie Murphy, 32, was the first witness called by the prosecution. She told the court she went to London's Heathrow airport believing Hindawi would join her on a later flight to Israel where they would married.

Britain expelled three Syrian diplomats in May after their embassy refused to permit police to question them about the attempt to blow up the aircraft. Syria has denied involvement in the plot.

Hindawi, who describes himself as a journalist who worked for Arabic language newspapers in London, had travelled to Jordan, Italy and Eastern Europe during the months leading up to the attempted bombing.

He returned to Britain carrying a Syrian passport, issued in a false name in Damascus and of the kind normally used by government officials, the prosecutor said, adding:

"There is convincing evidence that he was acting in concert with agents of the Syrian Government and acting on behalf of a group calling itself the Jordanian Revolutionary Movement."

Hindawi allegedly told police that Syrian Arab Airlines' crews brought explosives, guns and drugs into Britain and that he was given the bag containing the bomb at a London hotel with advice to choose a girl to carry it.

The bomb was found by an El Al security agent as Miss Murphy prepared to board. It had already passed through an X-ray machine and would have exploded about two hours after takeoff.

Hindawi met Miss Murphy after she came to London from Ireland in 1984. The prosecutor said: "Anne Murphy is no suicide terrorist bomber. It is one of the most callous acts of all time."

Miss Murphy told the court she had had a close relationship with Hindawi. Ten days before the attempted bombing he appeared at her London flat and told her he wanted to marry her in the Holy Land.

They made travel arrangements and as they drove to Heathrow in a taxi an April 17, Hindawi connected the timer for the bomb which contained more than 1.3 kg of plastic explosives.

The prosecutor said: "She believed he was going to another terminal to catch another flight and he kissed her goodbye."

Hindawi told police that he then returned to his hotel. When he learned the plot had been uncovered he went to the Syrian embassy to present the ambassador with a letter and was greeted warmly.

After the envoy telephoned Damascus, Hindawi was taken to a house in West London where his hair was cut and dyed. "The following morning two men tried to take him to the embassy but he took fright," the prosecutor said.

Hindawi checked into another London hotel but was arrested the next day when a receptionist reported his presence to police, recognising him from newspaper photographs.

Paris asks for help to curb bombs

MR JACQUES CHIRAC, France's Prime Minister, confirmed yesterday that France had asked Syria for help in curbing Middle Eastern groups believed responsible for a wave of bombings in Paris last month, Reuter reports from Paris.

Interviewed on French radio, Mr Chirac said Paris had asked for "support in controlling terrorist factions in Lebanon and the Middle East which the Syrians must be aware of and on which they have better information than we do."

Ten people died and more than 160 were injured in last month's bombing campaign, which was aimed at securing the release of three prisoners jailed in France for crimes of Middle East political violence.

Meanwhile, the Chirac Government came under renewed pressure yesterday to negotiate with the shadowy Islamic Jihad (Holy War) group which is holding three Frenchmen hostage.

In a statement delivered in Beirut, the group said it would release the three in exchange for 17 Shia Moslem militants jailed in Kuwait for the 1983 bombing of the US and French embassies.

French officials said the group had from the start linked the hostages' fate to the release of the prisoners in Kuwait, but yesterday's statement was the clearest sign that it was ready for a straight swap.

Black trade union groups unite

By Anthony Robinson in Johannesburg

THE two major black South African trade union federations which decided to remain outside the Cosatu "super-federation" on its formation last December have united to create a new federation of their own.

For want of a better name the new federation will be known temporarily as the Cusa/Azactu federation joining together unions affiliated to the Council of Unions of South Africa (Cusa) and the Azanian Confederation of Trade Unions (Azactu).

According to the new federation's president, Mr James Mndaweni, the new grouping has 248,000 paid-up and 420,000 signed-up members; roughly half the size of the Congress of South African Trade Unions (Cosatu) to which the powerful National Union of Mineworkers (NUM) and unions in other strategic industries are affiliated.

The two federations now merged are both associated with the black consciousness philosophy which insists that blacks alone should form their own institutions

White trade unions and white lawyers helped to build up the black trade union movement in its formative years following the legalisation of black trade unions

Hawke prepares to change wage system

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA will soon see a big change in the operation of its centralised wage-fixing system, to judge by a series of statements from senior Labor Government ministers and leading trade union officials.

The change is likely to be enshrined in a fresh agreement between Government and unions which, Labor hopes, will boost its re-election hopes. While it will introduce greater wage flexibility, the aim of the change is to preserve restraint.

The shift coincides with a drop in the Government's popularity and gains by the opposition coalition of the Liberal and National parties. The next election is not due until 1988.

Officials from the Australian Confederation of Trade Unions have made clear workers cannot be expected to tolerate a further period of "partial indexation" in which wage rises have fallen short of price increases.

Such discounting has operated since Labor and the unions reached a second prices and incomes agreement in September last year. The agreement replaced an accord struck in 1983 shortly before Labor won power.

Mr Bob Hawke, the Prime Minister, last week acknowledged that the indexation, which has been a feature of the agreements, is dead. Interest therefore focuses on what is its replacement.

The most widely publicised formula is a two-tier system in which low wage earners receive percentage increases linked to price rises. The inflation rate is now 8 per cent but increases are likely to be less than this.

Higher wage earners could expect still smaller increases.

At the heart of the proposed formula is a powerful Government desire to prevent wage increases undermining improvements in Australia's competitiveness brought about by the depreciation of its currency since early 1985.

Six S. African soldiers injured by landmine

By Anthony Robinson in Johannesburg

SIX South African soldiers were injured yesterday when their military vehicle detonated a landmine near the Mozambique border.

The Bureau of Information said the mine had probably been planted by African National Congress guerrillas.

Under the Nkomati accord in March 1984 between South Africa and Mozambique, the Mozambican Government undertook to expel ANC units from their former bases in Mozambique and not let the country be used as a channel for ANC incursions.

In return the South Africans undertook to end support for Mozambican National Resistance rebels

In recent months, however, Maputo has accused Pretoria of continuing its aid and support for MNR forces, especially in the Beira corridor, which links Zimbabwe to the port of Beira. The South Africans believe ANC forces have returned to Mozambique

Hopes rise for mines settlement

By Jim Jones in Johannesburg

SETTLEMENT of a wage dispute between South Africa's National Union of Mineworkers and Ergo, the gold and uranium producer, has raised hopes of an early settlement of the dispute between the union and the Chamber of Mines. Ergo is not a member of the chamber.

Ergo, managed by Anglo American and which recovers gold and uranium from old mine dumps on the East Rand, has agreed with the all-black NUM on wage increases ranging from 16.5 per cent to 19.5 per cent for union members.

The agreement has averted a legal strike threatened after a ballot held by the union last month. The chamber and union are deadlocked in a wage dispute, which the chamber hopes can be settled by mediation. But, although the union is considering the chamber's mediation proposal, it is reluctant to accept increases which differ between mining houses.

Zambia and Zaire agree to oil pipeline extension

BY VICTOR MALLET IN LUSAKA

ZAMBIA and Zaire have agreed in principle to extend the oil pipeline running from Tanzania to Zambia as far as Lubumbashi in southern Zaire after a meeting at the weekend between President Kenneth Kaunda of Zambia and President Mobutu Sese Seko of Zaire aimed at easing strained diplomatic relations.

The 1,060-mile pipeline, which has been plagued by leaks and is due for rehabilitation, carries crude oil from Dar-es-Salaam to a refinery at Ndola in Zambia's copperbelt. Lubumbashi would add about 150 miles to its length.

A communique released after the meeting in northern Zaire also called for more co-operation in the copper mining industry which straddles the Zambia-Zaire border and condemned South Africa for its repeated raids into neighbouring countries.

Led by Dr Kaunda, the frontline states actively opposing South Africa are bringing increased pressure on the conservative Governments of Malawi and Zaire in an effort tr make them join a united front against Pretoria.

The South African Government has threatened to retaliate against international economic sanctions by trying to throttle black states dependent on its ports and railways.

In turn the frontline group—Zambia, Zimbabwe, Tanzania, Mozambique, Angola and Botswana—has warned Zaire and Malawi that cutting the southern trade routes would make them dependent on frontline states for their exports and imports at a time when roads, railways and ports in Mozambique and Tanzania would be clogged with goods unable to move through South Africa.

Frontline leaders are angry with Zaire and Malawi because they believe the two are supporting South African-backed rebels in Zaire, Angola, Malawi and Mozambique.

FT writers report on the sinking of a Soviet nuclear submarine in the Atlantic

Chapter of submarine accidents

PREVIOUS incidents involving nuclear-powered submarines include:

March 21, 1984: A Soviet submarine collided with the US aircraft carrier Kitty Hawk off Japan. No injuries.

September 20, 1984: A Soviet Golf II class ballistic missile submarine was spotted drifting in the Sea of Japan, with white smoke pouring from its stern. The submarine was reported later to have returned to its base in Vladivostock under its own steam.

Summer, 1983: A Soviet submarine sank in the northern Pacific, and 90 crew members died according to US intelligence officials.

April 9, 1981: The USS George Washington, a missile submarine, ran into the Japanese freighter Nisso Maru, sinking the surface vessel off the southern tip of Japan, and killing two crewmen from the Japanese ship.

October 27, 1981: A Soviet Whiskey-class diesel-powered submarine ran aground in a restricted military zone in Sweden.

August 23, 1980: A Soviet Echo-1 class nuclear submarine caught fire and radioed for help off Japan. Japanese officials later reported that nine crewmen died and three were injured

February 5, 1977: The USS Snook collided with a sonar device being towed by a navy marine's periscope and superstructure.

May 21, 1968: The USS Scorpion, an attack submarine, was lost with 99 men aboard off the Azores in the Atlantic.

1968: A Soviet submarine sank off the Kola peninsula in the Arctic Sea, according to recently declassified CIA documents.

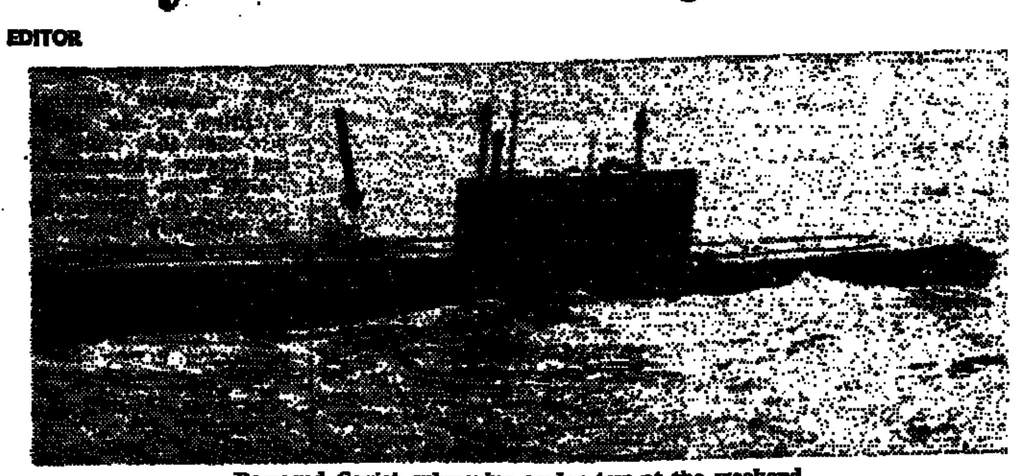
1968: A Soviet submarine sank in the Pacific, and subsequent US attempts to recover the wreck were partially successful.

April 10, 1963: The USS Thresher was lost 220 miles off the New England coast with all 129 men aboard.

1961: Members of a Soviet submarine crew died of radiation poisoning after an accident in the Baltic, according to recently declassified CIA documents.

Radioactivity level unlikely to rise

BY DAVID FISHLOCK, SCIENCE EDITOR



Damaged Soviet submarine under tow at the weekend

THE NUCLEAR technology aboard the Soviet submarine which capsized in mid-Atlantic yesterday is unlikely to add any detectable amount of radioactivity to the oceans, despite the presence of highly radioactive fission products.

Neither the nuclear propulsion system nor the warheads of the 16 SS-N6 ballistic missiles in this Yankee-class submarine are expected to leak their radioactivity into the sea for many decades.

Even then, any leakage will be so slow as to be undetectable against the background of natural radiation from dissolved uranium, polonium and radium in the sea.

There is experimental evidence for this assertion in that at least five nuclear submarines—two US and three Soviet—already lie on the ocean bed, but no one has reported increased levels of radioactivity.

The Yankee-class submarine is an elderly design, dating from the 1960s, and comparable with Britain's Polaris strategic nuclear deterrent.

Like the Polaris vessels, it is powered by a pressurised water reactor—in this case, of Soviet design—capable of allowing the boat to cruise submerged at high speeds for many weeks so as to avoid patrolling US, British and French hunter-killer submarines.

Photographic evidence over the weekend suggested that the explosion and fire on Friday ocurred in the missile compartment, and not in the self-contained and specially reinforced reactor compartment.

If this compartment has retained its integrity, the highly radioactive part of the boat's nuclear inventory is wrapped in three layers of protection

These are the submarine hull itself, designed as a pressure vessel to resist the water pressure at great depth, the pressure vessel around the reactor itself, and the smaller pressure vessels surrounding the nuclear fuel.

The fuel core, about the size of a dustbin, contains about 100 kilos of uranium fuel contaminated with radioactive fission products and small amounts of plutonium.

[illegible] three layers of protection separating this fuel from the ocean were breached in the descent to the ocean bed—a most unlikely occurrence—the radioactive leak would be extremely slow.

The warheads of the 16 missiles probably contain about 100 kilos of pure plutonium metal, uncontaminated with fission products, as lumps of precision-machined metal. The metal dissolves very slowly in sea water.

Nuclear warheads are designed to resist accidental explosion, for example under the shock of a torpedo or depth charge attack, or if a missile is fired accidentally. They are designed to explode only when deliberately armed, a procedure which involves several separate actions in the case of western nuclear weapons.

The worst kind of accident which could have befallen the warheads is the explosion of the high explosive used to drive the plutonium components together quickly, which could have distributed fragments of plutonium over the ocean bed. Even so, it is unlikely that it will prove possible to detect alpha-radiation from the scattered plutonium.

Confidence and concern in a remote village

BY DAVID WHITE IN MADRID

A MEMORABLE photograph commemorates the efforts made 20 years ago in Spain to demonstrate that nuclear weapons can safely sink to the bottom of the sea.

It shows Mr Manuel Fraga, then General Franco's Minister of Information and Tourism, the man who brought the holiday masses to Spain's coasts, taking a brisk springtime dip with the then US ambassador at a remote spot in the south-eastern province of Almeria. Both men are waving cheerily.

For them, the gesture was meant to mark the end of the Palomares incident and Operation Broken Arrow.

In the morning of January 17 1966, a B-52 bomber of the US Strategic Air Command collided during an in-flight refuelling manoeuvre with a K-135 tanker aircraft from the US naval base at Rota in southern Spain, killing seven of the 13 crew. After the impact, four 25-megaton hydrogen bombs equipped with parachutes floated slowly down to earth near the tiny fishing village of Palomares.

Three of the bombs landed on dry land — one of them crocked — and were immediately picked up. The other dropped into the sea. The area was taken over by US forces, the inhabitants evacuated, fishing stopped, crops burnt, and 1,000 tonnes of contaminated topsoil carted off to the US.

The fourth bomb was recovered from the seabed after an 81-day search. Fishing was allowed to re-start and Palomares returned to its habitual obscurity. These days the area produces hothouse tomatoes.

Local fears about the effects of radiation on people, livestock and farmland have, however, never been entirely eliminated. Stories of mysterious deaths have become part of the folklore.

Radiation levels are said to be similar to those affecting employees of nuclear power plants and no health anomalies have been officially registered, but, some experts say it is still too early to rule out long-term effects.

THE SOVIET submarine was one of 21 Yankee-class submarines, which first started to be deployed in the late 1960s, a Financial Times reporter writes. Because of the relative shortness of the range of their 16 missiles (about 3,000 km), they need to be within striking distance of cities and military targets on the American Eastern seaboard.

By contrast, the newer Soviet strategic submarines such as the Delta or Typhoon classes, carry missiles of much greater range (about 8,000 km)

It would be normal for at least one Yankee to be on patrol in the vicinity of Bermuda at any one time. Because of their relative age and noisiness, Yankee submarines are comparatively easy for the US to track, using the Sosus sonar detection system on the sea-bed, anti-submarine aircraft, or American (or British) hunter-killer submarines.

TECHNOLOGY

How talking to machines can lift quality control

BY PETER MARSH

PEOPLE employed in a range of industries are starting to chat to computers as part of the effort to increase the quality of manufactured goods.

The computers tell the workers specific checks to conduct on items such as car bodies or microchips as they move past on a production line. The machines then listen as the man or woman explains the results of the test.

Programmed with suitable software, the computers have a wide enough vocabulary such as "pass," "fail" or "paint scratched."

In this way, detailed information about the quality of finished products is built up in a data base. There is no need, as in conventional procedures, for the worker to write down details of the checks and then transfer the information to computers at a later stage.

The quality-control method relies on workers speaking into microphones linked by radio to a computer which sits by the side of the production line.

As manufactured parts travel past, the person listens to details of the checks that the computer wants made. Commands from the computer are relayed via earphones which are part of a simple headset worn by the worker.

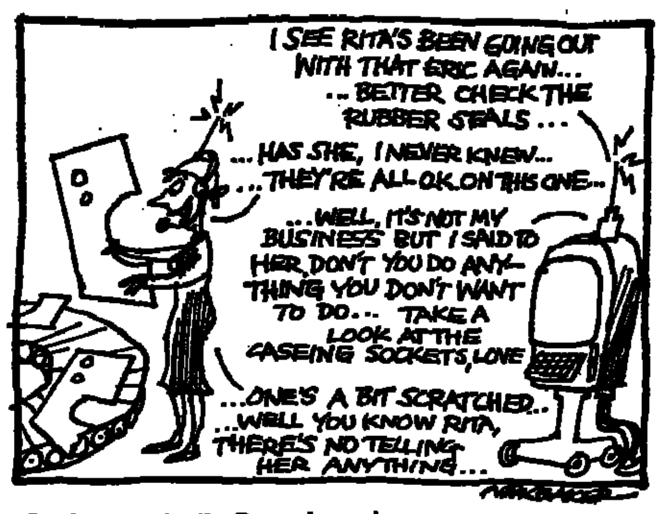
Such tests can encompass monitoring of car components to ensure that rubber seals are fitted properly — or inspection under a microscope of microchips to check that chemical processes are complete.

Votan, based in Fremont, California, is among the leaders in developing production-line computer systems that use voice recognition techniques. Texas Instruments, of the US, also sells similar systems.

Votan, formed in 1979 and with annual sales of $12m, says manufacturing concerns are turning increasingly to this type of hardware to speed up quality checks and reduce errors. The person on the production line does not have to remember in which order to do the tests, nor waste time referring to manuals.

Another advantage is that, by removing the need for the worker to write things down, his or her hands are free for other jobs. These could include working production machinery or lifting components to inspect them more easily.

Each voice recognition system requires an IBM personal computer together with special voice synthesis and recognition circuitry developed by Votan. A station, including components such as headsets, costs $13,000 to $20,000, says the company.



In the UK, Austin Rover is installing four of the inspection systems on a production line at its Cowley factory. The line will turn out luxury Rover 800 cars. Voice Systems International, a small company in Cambridge, is producing software and parts for the system, based around Votan technology.

Other British companies evaluating similar technology include Lucas Electrical, which makes car components, and Beecham, the drugs manufacturer.

In the US, Rockwell, Boeing, General Electric, Westinghouse and Hughes Aircraft are among the concerns using Voltan equipment for inspecting finished goods in manufacturing plants. Boston-based Caradonna, a food company, has installed the equipment to help in checks of meat and cheese as the food is delivered to warehouses.

UK steps up research into 'Star War thunderbolts'

BY DAVID FISHLOCK, SCIENCE EDITOR

THE WORLD'S biggest pulse power machine, felt the effects of this new electro-technology this summer when a wayward bolt of energy bored a hole in JET (Joint European Torus), a £350m nuclear fusion device at Culham, near Oxford.

Last week, with JET resealed and running again, Culham played host to the inaugural meeting of the UK Pulsed Power Club, a community of scientists and engineers with a common interest in pulsed power. Imperial College, London, is at the heart of academic interest, and is the headquarters of the new club.

Pulsed power is the generation of bolts of energy, for an astonishing variety of tasks. It has been given new urgency by the opportunities and imperatives of the Strategic Defence Initiative, the US research programme into speed-of-light weapons against ballistic missiles. More mundane uses — one speaker at the Culham gathering pointed out — even include "electric fishing," the stunning of salmon.

Academics want to discover the natural limits of accumulating electricity. Pulsed power is defined as the technology of storing electrical energy, then unleashing it very suddenly as "thunderbolts" of very high voltage and current to drive big lasers, flash X-ray machines, fusion experiments, high-powered radars, and various novel weapons. These bolts of energy are also needed to simulate such phenomena as lightning and EMP, the highly disruptive electronmagnetic pulse emanating from nuclear weapons.

Pulse power's origins are traceable to the second world war. Britain pioneered much of today's technology, through the activities of a small group at Aldermaston, the Atomic Weapons Research Establishment. Mr J. C. (Charlie) Martin, the group's leader, is acknowledged in US research centres as the "father" of pulsed power. He consults for Sandia National Laboratories in New Mexico.

Mr Martin told the Culham meeting that the US had come to dominate the technology because its practitioners talked freely about their problems, even when working for rival companies. "Their bosses hate it." His experience, however, was that every bit of help he gave US experts was repaid ten-fold. His message to the new club was "co-operate — even when it hurts you a bit." He made what must be one of the most open invitations Aldermaston has ever extended to US experts: "Please come and talk to us."

British pulsed power technology has managed to penetrate some of the latest US experiments. English Electric Valve (EEV), a GEC subsidiary, provided equipment worth $600,000 for the Advanced Test Accelerator, a beam weapon experiment in the hills near Livermore, California. In a droll presentation, Hugh Menown, an EEV physicist, described the company's determination to maintain, through research, a world leadership in a crucial pulsed power component, namely the switch which unleashes the energy.

EEV is seeking the switching contract for a major refurbishment of the three-year-old Livermore "Star Wars" facility, as well as a huge potential contract associated with laser enrichment of uranium in the US.

The scale of some US pulsed power research activities astounded many of those meeting at Culham. Dr Kristiansen of Texas Tech University warned British researchers that US Government laboratories and 10 universities were specialising in this electro-technology. His own pulsed power laboratory, specialising in switching, has joined three other US universities in a new research club focusing on the (unclassified) requirements of the "Star Wars" programme.

Now Britain is beginning to build up new pulsed power research facilities of its own—at Imperial College and the universities of Edinburgh and Strathclyde, for example. As Martin says, "it is still a field which can give an experimentalist a great deal of satisfaction."

IRD, the Newcastle-based subsidiary of Northern Engineering Industries, has designed a system to deliver 700,000-ampere pulses lasting 0.25 of a second, for kinetic energy weapon experiments at the Royal Armaments Research and Development Establishment, Fort Halstead, Kent. Defence scientists are exploring a new kind of tank or naval gun which by electromagnetics could propel "smart missiles" at up to 10 times the speed of chemical propellants, and with much less shock to sensitive electronics.

The core of this experimental electromagnetic gun is a homopolar generator designed by Dr Tony Appleton of IRD. So far it has successfully delivered peak pulses of 370,000 amps. At full power it is expected to propel a 200-gram projectile at over 2,000 metres a second. Brtish progress with this line of research is expected to be rewarded shortly by a substantial "Star Wars" contract, Dr Appleton says.

On the civil side, the Culham Laboratory of the UK Atomic Energy Authority has equipped itself with a powerful array of facilities for testing components for its nuclear fusion experiments and for exploring the vulnerability of aircraft to lightning.

Culham is offering two services to its scientific and industrial customers for pulsed power. One is the unique Lightning Studies Unit, set up primarily for the aircraft industry. The increasing use of poorly-conducting composite structures heightens problems for aircraft designers. Culham is able to simulate the complex shape as well as the energy of a lightning pulse.

The second service offered by Culham is contract research, computation and design for advanced control systems and novel pulsed power supplies for other research centres and universities.

Greater tolerance to damage in a simpler form of vacuum pump

VACUUM PUMPS with only one moving part and no rubbing surfaces are to be introduced by GeneVac of Ipswich UK (0473 41222).

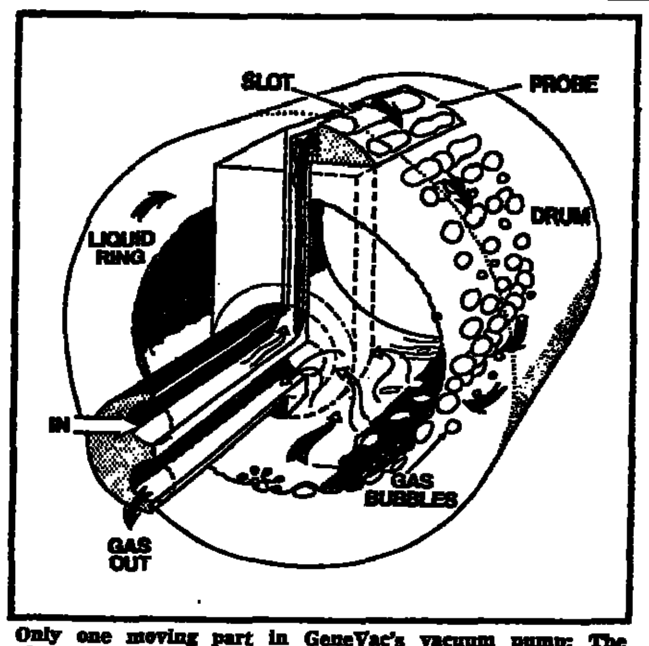
None of the tight machining tolerances and clearances of conventional rotary vane vacuum pumps are needed, so that damage by corrosive vapours (which have to be condensed out and removed in conventional pumps) is inconsequential.

The pump is basically a hollow cylinder spinning at 3,000 revolutions per minute, and partially filled with pumping fluid which clads the inside curved surface under centrifugal force. A probe (as long as the cylinder) is held stationary in the spinning liquid, and is shaped so that the flow forms a low pressure area and sucks gas out of a slot which is connected to the vessel to be evacuated.

The gas disperses into bubbles which move round with the fluid but migrate towards the cylinder's centre under centrifugal action (because they are much lighter than the fluid). The bubbles burst into the empty central area and gas leaves through a centrally connected outlet pipe.

The present product produces vacuums down to 0.5 of a millibar (five ten thousandths of an atmosphere) with flow rates of 50 litres a minute. Development is continuing.

Vacuum pumps are widely used in factories and laboratories, in applications where air has to be removed while a manufacturing process takes place.



Only one moving part in GeneVac's vacuum pump: The absence of tight machining clearances means the impact of corrosive vapours is inconsequential.

WORTH WATCHING

Edited by Geoff Charlish

FORESTRY WASTE can be turned into pine oils and essences for use in soaps, medicines, cosmetics and cleaning products by a machine from French company Biolandes of Le Sen (585 14634).

Realising that little use is made of millions of tonnes of tree tops, smaller branches and pine needles left over after felling for timber production, Biolandes has developed a self-propelled crushing unit able to collect 40 tonnes of material a day from the forests of Aquitaine. A steam generator, under microprocessor control, is used to distil out the essential oils and the residue is then either dried to be used as fuel (to drive the machine) or turned into compost in a process which takes seven months.

CASH REGISTERS, vending machines, gaming machines and other relatively "dumb" retail devices can be turned into Epos (electronic point of sale) units by hardware called Connect Six, from Grand Metropolitan Information Services (GMIS), of the UK. Selected information can be extracted from the devices to give an overall and accurate picture of the financial performance. Connect Six extends a service from GMIS called Retail Connection, in which key data is collected from and distributed to retail outlets. More from Uxbridge, UK, on 0895 58111.

ASSEMBLY ROBOTS at prices as low as £15,000 have been developed by the West German company G.A.S. of St Georgen in the Black Forest and are available in Britain from UK Automation Technology of Sunbury-on-Thames (0932 766194).

These robots can move small components in all three directions in space inside a rigid steel box frame placed over the work area. The top of the frame supports three pneumatically driven mechanisms that can be programmed to accuracies of 0.01 mm. The robots are fast, accelerating at 10g and moving at 2.5 metres per second. The controller is easily re-programmed off-line using an Epson HX20 microcomputer.

PERSONAL COMPUTER networking is achieved at low cost, claims Molecular Computer of Slough UK, using its new local area network (LAN), System 16.

With the company's product M-Link, which costs £745, two users of the IBM personal computers (PCs), model XT or AT, can be connected over a simple twisted pair cable. After that, each added PC costs £275 to equip and the network can accommodate up to 1,600 users. A further unit, M-Link Plus, provides hard disk storage capacity to the network at £4,750. More on 0753-44112.

APPOINTMENTS

Lloyds Bank corporate finance post

Mr Paul Sanders has been appointed assistant general manager, corporate banking division, LLOYDS BANK, with responsibility for the bank's relationship with a large portfolio of major UK, US and other multi-national companies. Most recently he was chief manager (planning co-ordination), international banking division, Lloyds Bank. Previously he was chief manager, corporate banking division and prior to that he had a series of appointments in Lloyds Bank International involved with the corporate market.

★

Mr Christopher Carter has been appointed managing director of GNI (Jersey), a wholly-owned subsidiary of GNI, futures broking subsidiary of Gerrard & National. Mr Carter was formerly a director of E. D. and F. Man and a founder director of Liffe.

★

Mr B. V. Heath has been appointed a director of REA BROTHERS (INSURANCE). Mr E. M. L. Cockburn becomes a director of Rea Brothers (Life, Loans and Pensions).

★

C. E. HEATH has formed a new subsidiary company—C. E. Heath Credit. The board will be: Mr P. C. Methley, chairman, Mr P. T. Barfett, Mr R. M. Harrison, Mr D. W. Nichols and Mr B. Warburton.

★

Mr Peter Gordon has joined independent family distillers, WILLIAM GRANT AND SONS, as sales and marketing manager. Mr Gordon is the great-great-grandson of William Grant, the company's founder.

★

THE UNIVERSITY OF SUSSEX has appointed Mr Leslie Fielding, director general for external relations, commission of the European Communities, as its next vice-chancellor. He will succeed Professor Sir Denys Wilkinson on October 1 next year.

★

Mr Marc Kipfer has become chairman of CMS CAPITAL MARKET SERVICES, Zurich, a newly-formed associate company to Capital Market and Treasury Services, a wholly-owned subsidiary of UK money brokers Mayflower Group. Other directors are Mr Charles Walser, Mr Balthaser Kirschner and Mr Michael H. R. Young.

★

Mr John E. Blake is appointed systems strategy and planning director of J. SAINSBURY.

★

Mr Christopher J. Edmonds has been appointed a director of R. I. STOTT AND CO (I.O.M.), stockbrokers.

★

Ms Julie Macey, formerly with Speyhawk retirement homes subsidiary, Osprey, and **Mr Paul Skellern** of Retirement Properties of Bath have been appointed directors of a new subsidiary of CHARLES CHURCH DEVELOPMENTS.

★

ASTRA HOLDINGS, a pyrotechnics group, has appointed Mr Stephan Kock as a non-executive director. He is a consultant to Midland Bank International, and was a director of Biddle Holdings.

★

Mr Philip Chappell has joined the board of FORESTRY INVESTMENT MANAGEMENT. He was vice chairman of Morgan Grenfell Holdings.

★

Mr David Hill has been appointed a director of Lloyd's broker JARDINE GLANVILL

Mr David Hill, a director of Jardine Glanvill

and chairman of its energy resources division.

★

Mr D. C. Binsted, Mr J. J. Cox, Mr N. R. E. Macnaughtan and **Mr N. D. J. Oakley** have been appointed directors of SEDWICK MARINE.

★

Mr Angus Whinster has joined SECURITY PACIFIC EUROFINANCE (UK) as vice president of the property finance division. He was previously banking manager with Guinness Mahon and a director of Guinness Mahon Property Managers.

★

Mr Richard Hejey has been appointed a director and head of corporate finance at BARCLAYS DE ZOETE WEDD. He was previously a director of Hill Samuel.

★

KLEINWORT DEVELOPMENT FUND has appointed Mr T. H. Holland-Bosworth, a director of Kleinwort Benson, as a director.

★

PEAT MARWICK has appointed Mr Allan Hargreaves as a tax consultant specialising in charity taxation. He is based at the Manchester office and has overall responsibility for co-ordinating the firm's charity tax services throughout the UK. Mr Hargreaves, a former inspector of taxes, was previously with the Inland Revenue charities division where he headed the section dealing with the formation of charities and the provision of tax advice.

★

WHITEHALL PETROLEUM, part of the oil and oil services sector of Pearson, has appointed Mr Chris Bayly and Mr Alan Gaynor as joint managing directors. They were previously managing directors of GB Petroleum Consultants, an oil consultancy originally financed by Lazard Brothers and which managed Whitehall Petroleum under contract. The company's interests are primarily in the North Sea and onshore in the UK. Following the re-organisation, Mr Mark Burrell, an executive director of Pearson, has been appointed chairman of Whitehall Petroleum in succession to Mr James Joll, who will remain a director.

★

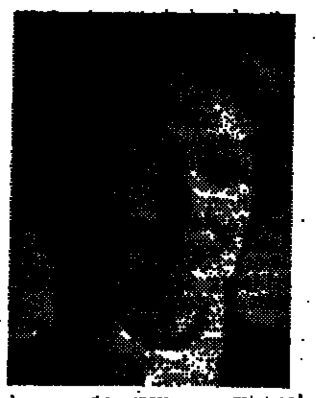
Mr David Hopkins, deputy managing director, is appointed managing director of BRITANNIA AIRWAYS. He also becomes a member of the Thomson Travel Board. Captain Stuart Grieve becomes operations director and joins Britannia's board.

★

Ms Jane Raybould has become associate director—international economic analysis and investment strategy in the portfolio management division of FUJI INTERNATIONAL FINANCE, international banking subsidiary of the Fuji Bank, Japan. She was with Australia and New Zealand Merchant Bank as chief portfolio strategist.

★

KINGSWAY PUBLIC RELATIONS, public relations arm of Saatchi and Saatchi, has appointed Miss Jackie Elliot to the board with executive responsibility as manager of the consultancy's corporate division. She was on the board of Hill and Knowlton (Corporate).



Miss Jackie Elliot, a director of Kingsway Public Relations

★

Mr John (Jack) Samuel, former managing director of Roles and Parker, has been appointed director of the recently-formed ASSOCIATION OF BUSINESS ADVERTISING AGENCIES.

★

JOHN FOSTER AND SON has appointed two main board directors. Mr Raymond J. Phillips joins as commercial director on October 6. Mr Phillips was with the John Lewis Partnership. Mr G. David Breton who has been with John Foster and Son since 1973 as company secretary, has also been appointed a director from October 6.

★

Dr Hans Krag has joined WELLA as corporate financial director with responsibilities for Intercosmetic GB, Ondawel GB, and Intercosmetic Dublin. He joins from Wella Japan where he was financial director.

★

WESTPAC BANKING CORPORATION has appointed Mr Melville Haggard as manager, international capital markets. He joins from Lloyds Merchant Bank where he was responsible for developing international corporate and export finance business.

★

Mr Alistair Beeston has been appointed senior advances manager of the domestic banking division of NATIONAL WESTMINSTER BANK. He succeeds Mr Fred Pointon, who becomes senior executive of the division's corporate section. Mr Beeston was previously advances manager of Coutts and Co.

★

Mr Peter Sedgwick and **Mr Nicholas Taylor** have joined the board of TRIPLEVEST, a company jointly managed by MIM and J. Henry Schroder Wagg. Mr Alexander S. Reid has been elected chairman.

★

Mr E. J. Bradshaw has been appointed financial director of HARLAND SIMON GROUP. He has been chief accountant and company secretary for the past six years.

★

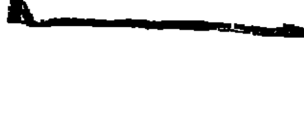
GA GROUP (formerly Gilbert Ash) has appointed Mr Terry Smith as development director of GA Estates. He was director of the management contracting division.

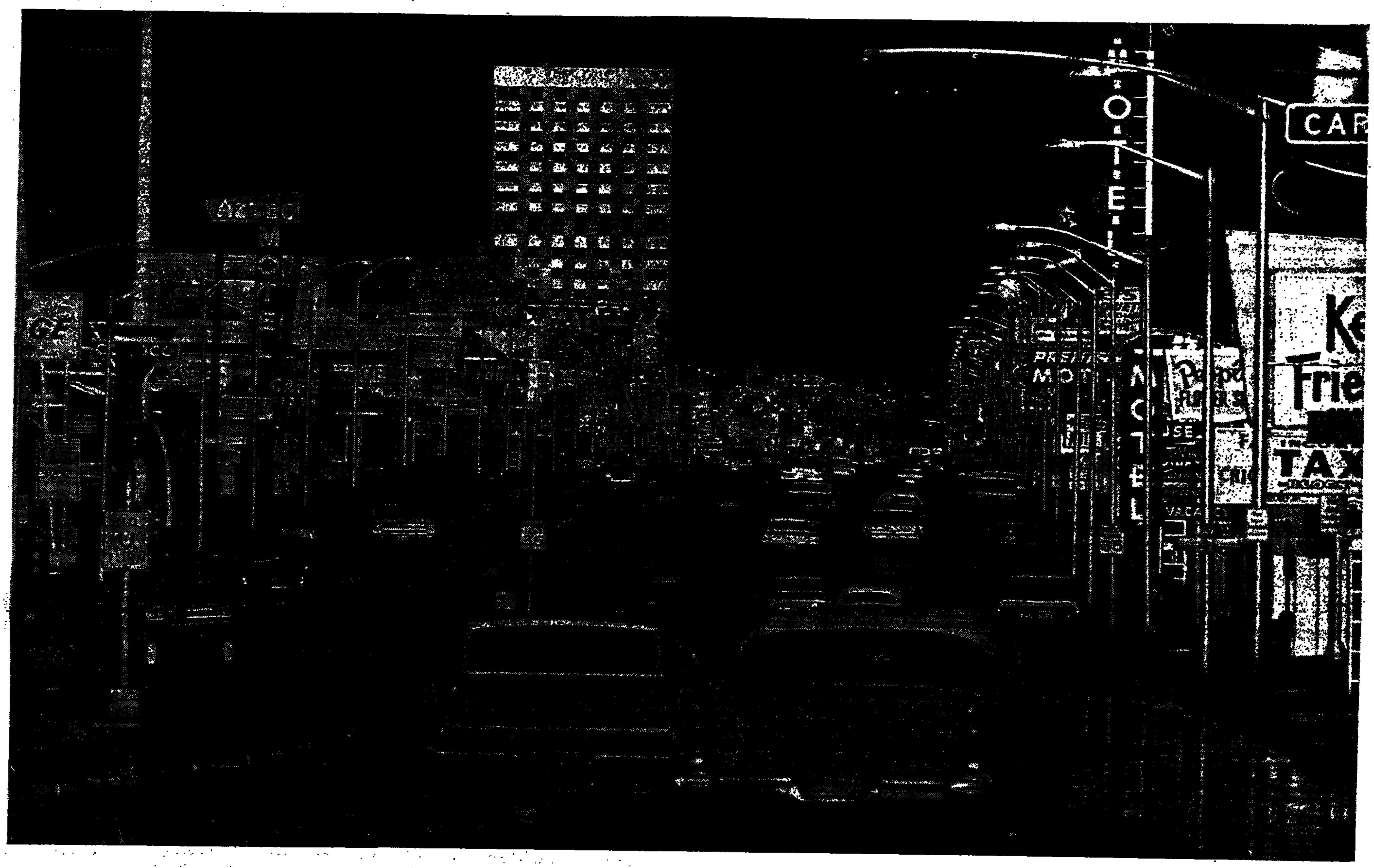
★

MORGAN GRENFELL ASSET MANAGEMENT has appointed Mr Tony Mallinson, who recently retired as senior partner of Slaughter and May, as a non-executive director.

★

Mr John Howell has been appointed director of investment, NATIONAL FREIGHT CONSORTIUM. Mr L. Bart-Smith has joined the NFC PROPERTY GROUP board as a non-executive director.





NOTICE OF REDEMPTION

To the Holders of

HILTON INTERNATIONAL CO.

7¾% Debentures Due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of November 1, 1972 providing for the above Debentures, $1,700,000 principal amount of said Debentures have been selected for redemption on November 1, 1986, through operation of the mandatory Sinking Fund at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to said date, each in the denomination of $1,000 bearing serial numbers with the prefix letter "M" as follows:

DEBENTURES BEARING THE DISTINCTIVE NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

00	03	06	11	20	27	41	63	71	83	94
01	04	07	14	24	32	48	65	72	90	97
02	05	08	16	25	38	54	67	79	92	98

ALSO OUTSTANDING DEBENTURES OF PREFIX "M" BEARING THE FOLLOWING NUMBERS:

6	64	1364	2264	2664	3664	5364	6964	8764	11064	13964	14364
7	1064	1664	2464	2964	3764	5464	7164	9464	11664	14064	14564
8	1264	1764	2564	3564	4964	6864	7464	9564	13664	14164	14764

On November 1, 1986, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main, London and Paris and Banque Generale du Luxembourg in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in New York City. Such payment made by transfer to an account maintained with a bank in the United States by the payee may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons due November 1, 1986 should be detached and collected in the usual manner.

On and after November 1, 1986 interest shall cease to accrue on the Debentures herein designated for redemption.

HILTON INTERNATIONAL CO.

Dated: September 29, 1986

UK NEWS

Vickers to buy state's battle tank factory

BY LYNTON McLAIN

VICKERS has completed its negotiations for the purchase of the state-owned Royal Ordnance main battle tank factory at Leeds, making it the sole manufacturer of tanks in the UK.

Vickers paid an initial £11.2m to Royal Ordnance for the factory. The total sum to be paid by Vickers is based on a confidential formula involving an assessment of the net assets at the Leeds site. Vickers said yesterday that the final price would depend on a final auditing of the assets.

The Vickers' bid to buy the Leeds factory came in the wake of the failure of the Government this summer to proceed with its planned stock exchange flotation for Royal Ordnance as a whole. The Ministry of Defence has abandoned all plans for a flotation of the company and is currently seeking a single purchaser. The buyer has to be based and controlled in the UK.

N. M. Rothschild, the merchant bank acting for the Government over the disposal of Royal Ordnance, has prepared a memorandum for the sale of RO. This memorandum is to be sent to interested parties who sign agreements with the bank not to disclose its confidential contents.

Vickers already has a factory capable of producing more than 100 main battle tanks and other armoured vehicles a year at Elswick, Newcastle upon Tyne. The Newcastle tank factory is able to make a profit when operating at a third of capacity.

The company told Mr George Younger, the Defence Secretary in July – before he announced the plan to sell the Royal Ordnance factory at Leeds – that Vickers would replace the existing factory at Leeds with a new tank factory, to be built at a cost of about £15m.

Vickers is to build the new factory to the same size, break-even level, design and capacity as the Vickers factory at Newcastle, the company said yesterday. This would give Vickers enough capacity to make more than 200 main battle tanks a year.

The British Army has ordered the latest British main battle tank, the Challenger, for a seventh regiment. This order for 76 tanks worth about £100m was announced by Mr Younger when he gave the go-ahead for Vickers to buy Leeds.

Coal chief embarks on a healing mission

BY CHARLES LEADBEATER, LABOUR STAFF

SIR ROBERT HASLAM, chairman of British Coal, believes the prospects for the industry would improve considerably if there were a single union for production workers, or a mechanism for the National Union of Mineworkers (NUM) and the Union of Democratic Mineworkers (UDM) to draw up joint claims.

Sir Robert's views on the attraction of the single union stand in sharp contrast to the approach of his predecessor, Sir Ian MacGregor, who emphasised the importance of the UDM, which was formed as a breakaway union during the year-long coal strike which ended in March last year.

Whereas Sir Ian actively encouraged the split in the NUM ranks during the strike, Sir Robert hopes there might be greater understanding between the two unions in the future.

However, Sir Robert believes greater co-ordination between the unions will be out of the question under their current leaderships. Although British Coal is determined to treat the two unions even handedly, Sir Robert admits the emergence of the UDM has created "an industrial relations minefield."

Sir Robert's remarks on the need to heal the wounds of the strike, came in a wide-ranging interview on the industrial relations outlook at British Coal, in which he revealed that he was in favour of introducing new pay incentives, long-term pay deals and a more decisive approach to day-to-day management.

On the complications caused by dealing with two production unions, Sir Robert said: "Clearly one would like to deal with one union. We had one union, now we have two: that creates a complication, particularly because there is no way we will be able to negotiate with them together as long as the personalities remain the same."

British Coal had to accept that it would have to deal with the unions in parallel, he said. The UDM was more progressive, but it was not British Coal's intention to use the unions co-operative approach to put pressure on the NUM to become more conciliatory.

"We have to be even handed in what we offer the two unions, but the rate at which that is taken up is demonstrably dependent on the union concerned. The UDM is ready to embrace new ideas and concepts, it moves more quickly to support our objectives and as a result it appears more progressive."

In a clear warning to Mr Arthur Scargill, the NUM president, Sir Robert said the industry's future would be jeopardised if union leaders did not relinquish the broader political aims associated with the strike.

He said he was keen for an open dialogue with the unions but "you have to be sure the people you are talking to have the success of the industry and the well-being of the people employed in it at heart. If they are motivated by entirely different things there is no way we will be able to get this thing together."

On the coming pay round, he was in favour of the kind of long-term pay deal proposed by the UDM. British Coal could not afford a pay award anywhere near the going rate without considerable improvements in productivity. It intended gradually to give local bargaining and flexible incentive systems a much larger role in

Sir Robert also praised developments in management style which emerged during the strike, particularly more direct communication with the workforce, and greater decisiveness on day-to-day issues.

Where Sir Robert sensed an abundant willingness to get down to the job was on the coalface. "Miners are in their environment, they are very natural beings underground, they tell you the truth," he said with a touch of reverence.

Labour clarifies tax shake-up plans

BY PETER RIDDELL, POLITICAL EDITOR

SOME SINGLE people earning between £15,000 and £20,000 a year would start to pay slightly more in tax and National Insurance deductions under the Labour Party's new tax and social security plans.

This compares with previous public claims that it would be mainly the top 5 per cent of income earners over £27,000 a year who would pay more. However, Mr Roy Hattersley, the shadow Chancellor of the Exchequer has admitted that the £27,000 figure is "a jagged or broken line" in view of the complexity of the proposals.

Nevertheless, Labour leaders remain confident that only a few people below this figure should have to pay significantly more than now, and that most low and middle income households should be better off, particularly those with children.

Clarification of the impact of the tax and social security proposals has come after their overwhelming approval by the Labour Party conference at Blackpool last week.

The key Labour proposal is to remove the upper limit on employee National Insurance contributions of just below £15,000 a year. This is equivalent to a 9p in the pound increase in marginal tax rates above that level, and follows the removal of the upper limit on employer contributions last year. The exemption of investment income from National Insurance contributions would also be removed by Labour.

However, Labour has also proposed a major shake-up of taxes and social security including the return of a reduced rate band of income tax, restriction of all allowances including mortgage interest relief to the basic rate, independent taxation of men and women and the replacement of the married man's tax allowance by a child benefit increase on the same amount for the first child.

This is apart from the general increase in child benefit for all children proposed as part of the redistributive package which would hit the top earners. The party believes that this package could be introduced within the first 18 months to two years of the life of a Labour government.

There is no simple winner or loser table since there are 18 different family and income categories. But Labour is confident that the net effect for families, particularly with several children, will be clearly beneficial up to at least £27,000.

Single people may pay slightly more up to £20,000 a year, and definitely more above that figure, depending on the level of the reduced rate band and on their tax allowances.

To deal with the possible losses for older childless couples with only one earner, Labour proposes a cash benefit equivalent to the married man's allowance to be paid to older married women.

The timing of the introduction of these changes will in part depend on how ready the Inland Revenue is to go ahead with independent taxation in view of its existing work on changing the personal tax system.

UK NEWS

Peugeot plans new Iranian kit car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

PEUGEOT has proposed to Iran that a new model be introduced in three to five years to replace that country's best-selling Peykan car which is assembled from kits shipped from the French group's British subsidiary.

Mr Jean Boilot, president of Automobiles Peugeot, says that if the deal is concluded, kits for the new model would contime to be sourced from the UK. "Our British company has the contacts which are so essential in Iran", he adds.

It is understood, however, that Peugeot might not have the field to itself in Iran, and several Japanese companies have been contesting for the cars contract, with Nissan as the front-runner.

The Peykan is based on the old Hillman Hunter and at its height the Iran contract has been worth £130m ($187m) a year to Peugeot UK and represented Britain's largest single motor industry export contract.

Recently business has been at a very low ebb because Peugeot refuses to ship any kits until Iran has shown that it has the foreign currency to pay for them.

In the first half of this year only 7,800 kits were exported, and Mr Boilot says that, at the present rate of output in Iran, the country will not need any more until next June.

While this was enough to knock Peugeot UK's financial performance off course – the company's first-half loss of £8.3m was attributed mainly to the Iran problems – the impact is not as bad as it once might have been.

Whereas the Iran contract once accounted for 40 per cent of Peugeot UK's turnover, now it is down to 3 per cent. Only 100 people work on the Iran project, mostly turning out spare parts, where previously 1,450 were employed.

Many workers have been switched to another Peugeot plant where the company recently began assembling the 309 model and where it expects to build a new medium-sized car, code-named the D-60, which will be called the Peugeot 409.

Sealink management and unions talk as disruption continues

BY CHARLES LEADBEATER

SEALINK UK management and the maritime unions were talking for a third day yesterday in an effort to resolve the dispute which has severely disrupted the company's ferry services.

The National Union of Seamen and the officers' union, Numast, have for the first time co-ordinated their strategy, negotiating jointly, and implementing together a rolling programme of industrial action.

The unions were calling for the resumption of a full service to the Channel Islands, and the reinstatement of the 429 officers, ratings, and shore staff dismissed under a pan to rationalise the service.

The dispute started last week after Sealink UK announcement it was setting up a new company with Channel Island Ferries to run a much reduced service to Jersey and Guernsey.

Sealink UK's services yesterday continued to be disrupted by the unions' action. Of the company's 20 ferries, 10 were immobilised by strikes, and four were being occupied in port by seamen and officers. Only the six Isle of Wight ferries were still running.

The National Union of Railwaymen and the Transport Salaried Staff Association yesterday pledged their support to the maritime unions. The NUR executive will on Thursday consider balloting its 2,000 members in Sealink on taking industrial action. NUR members operate the service to the Isle of Wight.

Lucas pay row leads to lay-offs

By Helen Hague

ABOUT 2,000 car workers at Austin Rover's Longbridge plant in Birmingham were laid off yesterday because of the pay dispute at Lucas Electrical.

Manual and white-collar unions at Lucas plants in the Birmingham area are staging an overtime ban and work-to-rule in pursuit of an enhanced pay offer from the company.

The dispute has caused Lucas Electrical's supplies of head lamps and rear lights to dry up – bringing production of three Austin Rover models to a standstill.

Last night, Lucas reiterated its tough stance on pay – and said negotiations with the unions would not resume until industrial action was lifted.

The 11,000 workers at Lucas Electrical received letters from the company over the weekend, warning them the company risked losing large amounts of work if the industrial action continued.

Yesterday, staff unions at Lucas urged the company to "cease threats of closure and dismissal and return to the negotiating table."

The meeting – held between Tass, the manufacturing union, and the white-collar union ASTMS – reaffirmed their commitment to achieve a negotiated settlement.

Ferries face sea of troubles

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

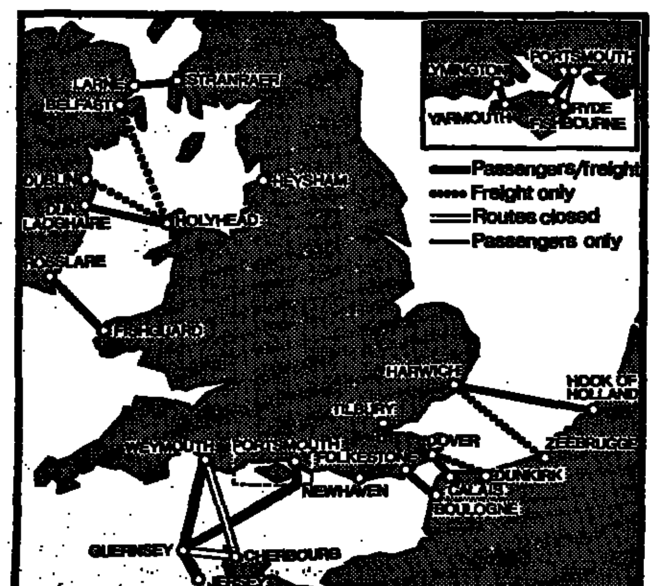
SEALINK UK, the former ships and harbours division of the British Railways Board, has been a massive disappointment to Mr James Sherwood, the American entrepreneur who paid £66m for the company two years ago.

Mr Sherwood, founder and president of the Bermuda-based Sea Containers group, bought Sealink against opposition from trade unions and the Labour Party, confident that it could be piloted quickly to profitability and a stock market flotation.

Instead, the company faces industrial action over the rationalisation of Channel Island routes, and was in talks all day yesterday trying to avoid a total shut-down of both its European and Irish routes.

The stoppage declared by Sealink's crews is only the latest and most dramatic of a sea of troubles that have plagued the company since privatisation.

It follows a series of rationalisation measures, mostly forced on the management through adverse circumstances, and a string of poor results.



Routes now operated by Sealink and ports owned by Sealink Harbours.

Sea Containers bought Sealink despite a high price tag because Mr Sherwood believed private sector management and proper investment would unlock huge profit potential.

His strategy was to make the company competitive by improving services and reducing wage costs at the same time, hoping to attract more passengers who could be carried at less cost.

The expectation was that Sealink could make profits of up to £40m within three years, when it would be brought to the stock market for a flotation.

That target was given some credibility in the first six months of private ownership, when Sealink made profits of more than £12m. Profits fell to around £8m in 1985, but even that level of success could not be sustained, and the company was barely breaking even before the current industrial action began.

It is ironic that Sealink should be hit by industrial action over Weymouth now, since Mr Sherwood was widely expected to withdraw from the route when Sea Containers bought the company, and did not do so.

Instead, he opted to improve facilities on the two ships operating on the route to the standards of a five-star hotel, and to double prices, reasoning that Channel Islanders would be willing to pay for a luxury service.

In fact, passengers chose either to pay a little more and travel much more quickly by air, or to travel much more cheaply on the no-frills service offered by Channel Island Ferries. This misjudgement was expected to cost Sealink £7m this year, a level of losses too high to be sustained against the background of continuing poor performance on other routes.

Unless the seafarers' unions are able to change Mr Sherwood's mind, 462 Sealink employees will lose their jobs, and the Channel Islands will be served by a joint service from Portsmouth run by a new company called British Channel Island Ferries. Sailings from Weymouth will continue during the summer season only.

The crux of the problem facing Mr Sherwood is that Sealink had been scheduled for privatisation almost since the election of the Conservative government in 1979, and little had been spent on new equipment in the next five years.

The result was that Sea Containers inherited an ageing fleet unsuited to the changing pattern of the market, and has been unable to compete profitably to finance the acquisition of the necessary new ships.

The increase in passenger traffic which benefited all the short sea ferry companies in the late 1970s and early 1980s has levelled off, and the major growth area has been in freight, for which Sealink's older ships have only limited capacity.

Sealink's major competitor, the Townsend Thoresen arm of European Ferries, on the other hand, has invested nearly £170m over the last five years in "stretched" ferries, including an extra freight deck, and new "jumbo" ferries due to enter service next year.

These ships will give Townsend Thoresen savings of up to 40 per cent over existing costs, leaving the company plenty of room for tariff manipulation should it wish to increase Sealink's difficulties.

Sealink has also had to face the loss of British Rail's freight service through Harwich to Zeebrugge, and increasing competition from smaller operators such as Kent Line.

On the passenger side, there is also vigorous competition from the aggressive Sally Line operation from Ramsgate, and Brittany Ferries, the French-owned service from Plymouth to Cherbourg.

Apart from the rationalisation of Channel Islands services, Sealink has responded to the squeeze on its prospects by withdrawing from a number of routes, including the Isle of Man, and both Boulogne and Ostend, previously served from Dover.

Mr Sherwood admits that some of the early decision taken after privatisation have not worked out well, but claims Sea Containers now has the measure of the problems facing Sealink.

Visa ruling to be speeded up

By Robin Pauley

THE GOVERNMENT is speeding up the introduction of visas for visitors to Britain from the Indian subcontinent because of a dramatic increase in the number of arrivals since the visa proposal was first floated.

Mr Douglas Hurd, Home Secretary, announced yesterday that visitors from Bangladesh, India and Pakistan will now need to obtain visas before they begin their journey if they wish to enter Britain after October 15. No date has yet been set for visas for visitors from the African states of Ghana and Nigeria which were included in Mr Hurd's announcement on September 1.

The rules are designed to ease the pressure on immigration officers at London's Heathrow Airport.

A Home Office spokesman said that since September there had been a four-fold rise in the number of visitors from the Indian sub-continent needing detailed investigation into their reasons for coming to Britain.

First City free to lift holding in Exco

BY DAVID LASCELLES, BANKING CORRESPONDENT

FIRST CITY Financial, the Canadian financial services group controlled by members of the Belzberg family, will be free to increase its stake in Exco, the UK foreign exchange and money broking company under a ruling by the Bank of England.

The Bank has decided that First City should not be governed by provisions which direct that no bank engaged in foreign exchange trading may hold more than 10 per cent of a foreign exchange broker. First City has built up a 10 per cent stake in Exco.

The Bank's provision, known as the O'Brien letter after a former Bank governor, is supposed to prevent a conflict of interest.

"If First City does increase its stake it would call into question the standstill agreement by which Exco's largest shareholder, Tan Sri Khoo Teck Puat of Malaysia, has agreed to keep his interest at 29.9 per cent provided no other shareholder has more than 10 per cent.

A Bank spokesman said yesterday that it had established through discussions with First City that it was not engaged in foreign exchange activities that would conflict with its ownership of a broker. The Bank, therefore, had no objection to the group raising its stake beyond 10 per cent.

Mr Bill Matthews, Exco's chief executive, said he was not surprised by the ruling. But he added: "It is not for me to speculate about what might happen."

The Belzbergs, who have a reputation as corporate raiders, have shown an interest in Exco ever since it realised over £300m in cash from the sale of its interest in Telerate, the US market information company, last year.

First City Financial is based in Vancouver and has interests in banking, property, energy and other industrial activities.

UK NEWS

Sales and credit demand point to retail buoyancy

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE PACE of consumer credit demand eased slightly in August, but a strong underlying upward trend was reflected in official confirmation of a further rise in retail sales during the month.

Figures released by the Department of Trade and Industry yesterday show that new credit extended by finance houses, and retailers through bank credit cards totalled £2.68bn in August, down from £2.72bn in July.

Over the latest three months, however, total advances were 7 per cent higher than in the previous three months, suggesting the upsurge seen at the beginning of this year is continuing. The total amount of credit outstanding to the organisations covered by the figures totalled £22.56bn in August, up from £20.84 at the start of 1986.

The department's final figures for August retail sales also confirm the picture of buoyant consumer demand in the economy, which has been fuelled both by increased personal borrowing and by strong rises in real, or inflation-adjusted earnings.

In August the volume of retail sales rose by 1.4 per cent over July. Over the three months to August sales were about 2.4 per cent above those of the previous three months

VAUXHALL SALES FALL TO LOWEST IN FOUR YEARS

Ford wins over 30% of new car market

BY JOHN GRIFFITHS

FORD captured more than 30 per cent of the UK new car market in September for the first time this year. Its gains were made mainly at the expense of General Motors' Vauxhall/Opel subsidiary. Its 11.10 per cent share was the lowest for four years.

Statistics from the Society of Motor Manufacturers and Traders yesterday showed Rover Group (Austin Rover plus Range Rover) with a 14.81 per cent share, nearly six percentage points down from the same month last year.

A factor in Ford's good performance last month was that it was left short of stock towards the end of the annual August sales boom, resulting in a carry-over into September sales.

However, there is also some satisfaction within Ford at the still-strengthening position of the Sierra in fleet markets. Demand, according to Ford, is starting to outstrip supply.

The Sierra secured second place in the September list of "top ten" best sellers, with 10,895 sold – almost double the 5,743 sales achieved by its arch-rival Vauxhall Cavalier. Ford scored a hat-trick last month, with the Escort in first place and the Fiesta in third.

While the company has been offering low-finance terms on some models, it insists that the current performance is being achieved without excessive incentives, particularly to dealers.

Vauxhall, which is making heavy losses, yesterday blamed its poor market performance partly on a new policy to place profitability ahead of volume and its consequent withdrawal from incentive schemes other than run-out bonuses on the old model Cavalier.

It also blamed shortages of the Astra, Nova and face-lifted Cavalier for its worst performance since September 1982.

UK CAR REGISTRATIONS

	September				Nine months ending September			
	1986	%	1985	%	1986	%	1985	%
Total market	147,203	100.00	13,615	100.00	1,541,883	100.00	1,502,551	100.00
UK produced	64,155	43.58	61,897	43.10	669,607	43.43	623,386	41.49
Imports	83,048	56.42	81,718	56.90	872,276	56.57	879,165	58.51
Ford	45,026	30.59	35,721	24.87	419,264	27.19	394,659	26.27
Rover group	21,803	14.81	29,718	20.69	250,158	16.22	273,875	18.23
Vauxhall/Opel	16,335	11.10	19,486	13.57	233,664	15.15	250,233	16.65
Peugeot/Talbot	5,914	4.02	7,691	5.36	71,282	4.62	61,800	4.11
Nissan	11,683	7.94	12,323	8.58	85,689	5.56	83,144	5.53
Audi/VW	8,438	5.73	8,317	5.79	91,422	5.93	88,730	5.91
Renault	6,087	4.14	3,646	2.54	58,210	3.78	59,588	3.97
Volvo	5,079	3.45	3,610	2.51	54,183	3.51	47,242	3.14
Fiat	3,674	2.50	3,308	2.30	49,283	3.20	44,267	2.95

Source: Society of Motor Manufacturers and Traders

Government urged to spend extra £25bn on infrastructure

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

AN EXTRA £25bn needs to be spent over the next 10 years to get Britain's homes, cities, water and sewage systems into good repair, according to the construction industry body, the Group of Eight.

The group – which represents construction industry employers, trades unions and professional associations – has prepared the estimate to be discussed with the Government in an attempt to arrive at an agreed figure for the amount of money which needs to be spent on the infrastructure, and for a budget to be allocated to meet it.

"We're not just lobbying for ourselves and for work to keep the construction industry fat and happy," said Group of Eight chairman Mr Larry Rolland of the Royal Institute of British Architects.

"We want to ensure that enough money is available to be spent on the country's building stock and keeping the infrastructure in repair."

The £25bn splits into £2.5bn extra expenditure a year for 10 years, with £2bn extra being needed for repairing council houses, £400m a year extra for repairing sewers and water mains and £100m for urban renewal.

The extra £2bn a year needed for repairing council houses comes from the Government's own figures, said Mr Rolland. The Department of the Environment has recently estimated that £19bn needed to be spent on local authority housing in England and Wales alone.

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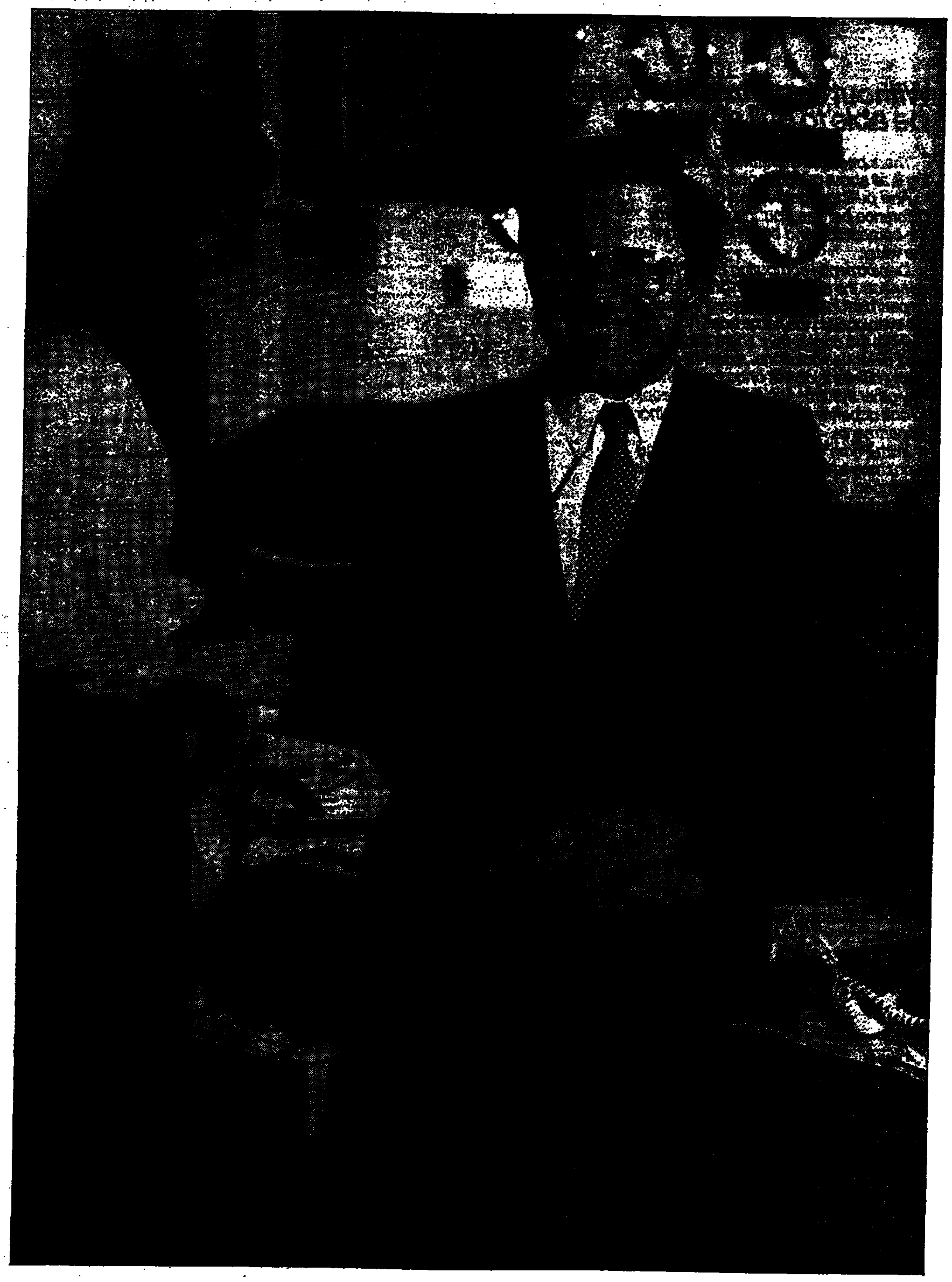

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UK NEWS

Parcels company is milestone for Unlisted Securities Market

BY ALICE RAWSTHORN

THE London Unlisted Securities Market yesterday marked another milestone in its development when Interlink Express, the overnight parcels delivery service, became the 500th company to join the market.

Given that the USM was devised for young, growth-hungry companies, Interlink could scarcely be more appropriate as its 500th entrant. Five years ago its founder, Mr Richard Gabriel, was revving his Kawasaki around the streets of central London as a motorcycle messenger. His company has joined the USM with a market capitalisation of £30m and, once the flotation is completed, Mr Gabriel will become a millionaire.

Of the 500 companies that have joined the USM – and the stock exchange defines "joining" the market as applying to its quotation's department for a listing – 359 companies are still quoted on it, with a collective market capitalisation of £4.2bn.

The USM has been even more productive in creating millionaires than publicly quoted companies. According to the accountants, Touche Ross, the junior market has produced 544 "paper" millionaires, that is people whose shares in their companes are worth more than £1m after flotation, 48 "cash" millionaires.

Undoubtedly the USM's most lucrative flotation, for its founders at least, was that of Mrs Fields, the US cookie company. Mrs Fields came to the market in May as the USM's biggest issue. Its flotation flopped, leaving the sub-underwriters to pick up 84 per cent of the shares. Yet the company's founders, Mrs Debbi Fields and her husband Randy, collected £24.7m in cash from the issue.

The USM has seen its fair share of ups and downs since its inception on November 10 1980. It was, after all, devised by the stock exchange as a junior tier to the main market in which young companies could find their feet before graduating to the more rigorously regulated environment of a full listing.

Satellite channel to start in January

BY RAYMOND SNODDY

SUPERCHANNEL, the British satellite television channel aimed at the European market, plans to launch its 24-hours-a-day service in the first week of January.

The launch of the channel, owned by 14 of Britain's independent television companies and Mr Richard Branson's Virgin Group, was expected this autumn. It was delayed by negotiations with the unions, such as Equity for actors, on rights to transmit British television programmes to Europe.

Agreement with the unions is now believed to be close and an announcement on the launch of the channel and outline programme schedules is expected later this month.

Superchannel is a joint service with Music Box, the pop music channel which is already available to around 5m homes in Europe. About 10 hours a day of Music Box programmes will be included in the new Superchannel services.

Apart from Music Box, the rest of the Superchannel schedule will be taken from prime-time ITV and BBC programmes usually recorded. Independent Television News will be providing a special programme of European news every day.

Superchannel will be transmitted by the ECS1 satellite and will be financed by advertising.

Offices 'need to be rebuilt'

ONE THIRD of the office accommodation in the City of London and the Westminster area of London and in their immediate surroundings will need to be rebuilt over the next 10 years, Edward Erdman, the City surveyors, has estimated, writes Paul Cheeseright.

In a report on the implications of deregulation for the London office market, Edward Erdman predicted continuing growth in the demand for space and in rental value.

The report is critical of City planning policies and its predictions of market growth are hinged to the caveat that "planning policies do not cripple the regeneration."

APPOINTMENTS

Top posts at IC Gas

Mr Michael Rendle has been appointed a deputy chairman of IC GAS (Imperial Continental Gas Association) and chairman of the group's executive committee. Formerly a managing director of British Petroleum, Mr Rendle joined the IC Gas board last January. He is also a director of Petrofina and Willis Faber, and is deputy chairman of *British Borneo Petroleum Syndicate*. He assumes responsibility for the executive committee from **Sir Dermot de Trafford** who remains deputy chairman of IC Gas and chairman of Calor Group. **Mr Jack Watt** has retired as deputy chairman but continues to serve on the board.

★

Mr Graham Jarvis has been appointed a director of EASTERN INSURANCE & REINSURANCE. **Mr Douglas Hay** assumes responsibility for the company's management. These changes follow the retirement of **Mr Eric Golbourn**, although he will remain as a consultant. The company is an underwriting agency wholly-owned by Stewart Wrightson Holdings.

★

THE RUGBY PORTLAND CEMENT has appointed **Mr C. P. Jackson** to the board. He is chief executive of the UK cement division.

★

BANK OF IRELAND has appointed **Mr Eric Mahoney** as managing director of British Credit Trust, the bank's British instalment credit company. He was executive director of mortgage banking at Citibank Savings.

★

STREETS FINANCIAL MARKETING part of Addison Consultancy Group has appointed **Mr Jonathan Mitchell** as a director. He joined National Mutual Life Assurance Society in 1976 and became assistant general manager (marketing) and a main board director.

★

Mr John Chadwick, director of the Sunridge Park Management Centre, has been elected chairman of the BRITISH MANAGEMENT TRAINING EXPORT COUNCIL. The deputy chairman is **Mr Patrick Forsyth**, a director Marketing Improvements.

★

Mrs Sheila Kemp, managing director of Research & Auditing Services (RAS) has been appointed to the main board of BARHAM GROUP. RAS was acquired by Barham Group in July. Mrs Kemp, who founded the company, is a full member of the Market Research Society and its council, running its field committee.

★

P-B SECURITIES, DOWN DE BOER & DUCKETT, stockbrokers, has appointed **Mr Christopher de Boer** and **Mr John MacArthur** as deputy chairman, **Mr William Smith** as managing director, and **Mr Simon Clegg**, **Mr Murray Pullen**, **Mr Nicholas Chamberlen**, **Mr Donald Duffy**, **Mr William Custard** and **Mr Langdon Stevenson** as directors.

★

DAVIDSON PEARCE has appointed **Mr Morgan Johnson** as chief executive. He has been managing director since 1981. **Mr Brian Emsell** and **Mr Simon Yardley** are appointed managing directors. Both were deputy managing directors. **Mr Paul Clark**, who joined from Van de Bergs in September, has been apopinted a vice chairman. **Ms Jane Steel** and **Mr Siman Ratcliffe** have been apopinted directors.

★

Mr A. K. S. Franks has been appointed chairman of BECK ELECTRONICS, which was formed to acquire the ceramic capacitor and filter manufacturing business of STC Components, supported with funding from 3i and CIN Industrial Investments. Mr Franks is also chairman of Phicom.

★

JOHN MOWLEM AND CO has appointed **Mr J. P. Finucane** as managing director of Youngman System Building, modular building division of the group. He was managing director of SGB Brooker, Australia.

★

WINCANTON GROUP, a subsidiary of Unigate, has merged trading divisions Wincanton Motor Group and Arlington Motor Holdings. The new group will be promoted under the identity of Arlington Motor Holdings and will be led by managing director **Mr John Heywood**.

★

Mr Charles Longbottom has been appointed a part-time member of the board of BRITISH SHIPBUILDERS for two years from October 1. Mr Longbottom, a co-founder of the Seascope Group, is chairman of Seascope Insurance Services and of Seascope Shipping Ltd. He is also a director of Heny Ansbacher Holdings. Mr Longbottom has held a number of posts in the shipbuilding sector including the chairmanship of Austin & Pickergill (1966-72) and of A & P Appledore International (1970-78).

★

Dr Allan J. Fox has been appointed managing director of the newly-formed IT INSTITUTE which has been set up by UK industry in partnership with the Cranfield Institute of Technology. He was deputy director (applied physics) of the Royal Signals and Radar Establishment in Malvern, where his prime responsibility was the development of electronic technology.

★

Mr Geoffrey Powell has been appointed managing director of GRANADA TV RENTAL. He joins from Imperial Group, where he was chairman and chief executive of Imperial Foods (General Products). He succeeds **Mr Bill Andrews**, who becomes chairman of Granada TV Rental and group director of Granada's retail and rental division.

Mr Geoffrey Powell, who has been appointed Managing Director of Granada TV Rental

★

CITICORP INVESTMENT BANK has appointed **Mr L. J. S. Komaromy** as vice-president with responsibilities for marketing investment management services to UK pension funds and institutional investors in Holland. He was marketing manager for Henderson Pension Fund Management.

★

Mr Michael C. L. James, has been elected senior vice-president and regional treasurer of AMERICAN EXPRESS BANK. He has been heading the bank's treasury division in Europe, the Middle East and Africa regions for the past three years.

★

Mr Stephen Henderson has been appointed director of the reinsurance worldwide division of BAIN DAWES.

★

CAMBRIDGE CAPITAL has appointed **Mr Gordon Montgomery** as a director.

★

Mr Norman McGuire, associate director of WILLIAMS LEA, has been appointed sales director at Perivan, Williams Lea's colour printing subsidiary. Williams Lea has appointed **Mr Alan Grant** as sales manager in its British Merchant Bank team. He was sales manager at Oyez Press.

UK NEWS

Philip Coggan looks at the changing image of Glynwed International

Showing the patience of Job

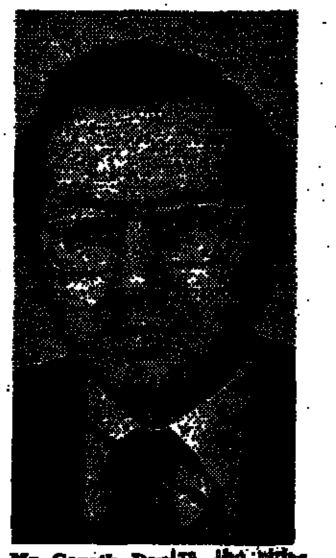
Mr Gareth Davies, chief executive of industrial group Glynwed International, is a patient man. He first thought of a bid for Brickhouse Dudley, castings manufacturer, in 1982, but it was not until June this year that relative price movements allowed him to make his move. "It needed 8m shares when we first looked at it," he recalls, "we ended up using 5m."

It has required the temperament of Job for Mr Davies to convince the markets that there are profits to be squeezed from the collection of seemingly mature businesses—steel, engineering, tubes and fittings—that make up the majority of the Glynwed group.

Changing the image of Glynwed has involved shedding loss-making subsidiaries, cutting the gearing and seeking out niche markets in steel, consumer products and plastics. And it has meant an ambitious commitment to 20 per cent annual earnings growth.

Glynwed has never been purely a metal basher. Its products range from Aga cookers to Australian plastic piping. In the last full year, the consumer and building products division contributed £9.5m, almost a quarter of operating profits.

That is not to say that Glynwed is ashamed of being a widget-maker. "They are extremely good at managing unexciting businesses," believes Mr Colin Fell, an engineering analyst at Scrimgeour Vickers. The figures seem to prove it. Pre-tax profits which were £13.7m in 1982 are likely to top



Mr Gareth Davies, the chief executive of Glynwed

'They are extremely good at managing unexciting businesses'

£45m this year and earnings per share, which were 14.6p in 1982 had risen to 27.7p by 1985.

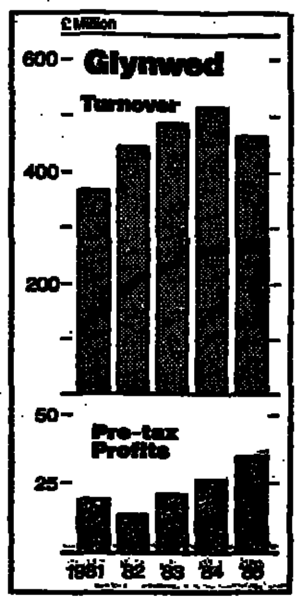
Before 1979, Glynwed was perceived as an unexciting West Midlands engineering company with high-yielding shares. The recession that followed proved the mettle of the Glynwed management.

Three things enabled Glynwed to survive. First, the downturn in 1974, when the share price touched 29p and gearing reached 120 per cent, had hammed home the importance of financial controls. As finance director, Mr Davies was already running a tight ship.

Second, Glynwed anticipated the recession. In 1978, the motor industry went into a downturn and in committee, the Glynwed management foresaw the slump spreading to the rest of the economy. "We decided that Margaret Thatcher meant what she said so we got stuck in," said chairman Sir Leslie Fletcher, and the workforce was accordingly cut by over a third and 15 factories were closed or sold.

The third factor was Glynwed's diversification overseas. In 1981, when Glynwed achieved what was then a record profit of £19m, over half those profits came from abroad. The main contributor was the South African subsidiary, Defy.

Glynwed took advantage of its strength to acquire companies which had bounced less quickly out of the recession. Durapipe and Ductile, bought in 1981 and 1982 respectively, were add-ons to areas of existing Glynwed activity. In the US, a variety of acquisitions were made as a conscious move to diversify overseas but one, Breman Steel, proved a consistent loss-maker. Even so,



Breman was bought in 1979 when the pound was strong against the dollar and sold when it was weak.

That knack for well-timed decisions was re-emphasised when Defy moved into the red. Glynwed had no hesitation in dropping the company which had helped pull it through the UK recession, and sold the bulk of its stake in December 1984. Subsequent events have shown that to be a good decision.

As the economy picked up speed, Glynwed's thoughts turned more and more to expansion. But its prospects for further acquisitions were limited by the share price. As late as April 1984, the historic p/e was as low as 9.5. Instead of moaning, Glynwed hired a market researcher to discover what the City really thought of it.

He concluded that the City's overwhelming impression was of an overgeared company with interests in mature industries. These impressions helped shape corporate strategy from then on. Although interest cover had rarely been less than three times, Mr Davies recognised the need to cut gearing, which accordingly fell from 64.2 per cent in 1982 to 13.5 per cent in 1985, helped by the proceeds of the South African disposal. "Our objective is to keep the gearing below 40 per cent" says Mr Davies.

Countering the perception of mature businesses meant a fresh round of acquisitions and disposals. Out went some engineering companies, of which the most significant was Glynwed Fastenings, sold for £5m to Armstrong Equipment in March this year; in came Delta Tubes and two plastics companies, the largest being the Australian Philmac bought for £8.7m in March.

The industrial strategy was to create a more vertically integrated group. This was a particular reason for the purchase of Brickhouse Dudley, which strengthened Glynwed's distribution capacity in cast iron tubes and fittings. With the help of its manufacturing arm, Glynwed Foundries, the company now claims to control 85 per cent of the UK cast-iron piping market for rain water, soil and drainage products.

There was one more piece to fit into the jigsaw. "We needed a peg by which the City could remember us," says Mr Davies. The one he chose was the promise of 20 per cent EPS growth, a commitment designed to startle those who had written off Glynwed as a mature business. Both the Brickhouse and the Philmac acquisitions were bought at a price which would not dilute earnings growth.

Analysts are cautiously confident that Glynwed can meet Mr Davies's forecast. "It is fairly ambitious and they won't achieve it entirely organically," believes Mr Angus Sippe of Grenfell & Colegrave "they will need to add things on." Colin Fell's view is that "they will

'Our objective is to keep the gearing below 40%'

match the target in the medium term as long as the economy doesn't fall out of bed."

Where might the add-ons be? "There is no doubt that plastics is a major area of growth for them" argues Mr Fell and certainly the Philmac acquisition is already perceived as a bargain. Whatever the target, Mr Davies has probably been watching it for years.

CONTRACTS

Hong Kong's biggest container terminal

HONG KONG International Terminals, an 89 per cent held subsidiary of the Hutchison Whampoa Trading Co, has been awarded a HK$591m (£51m) civil works construction contract for container terminal number six at the Kwai Chung container port in Hong Kong's New Territories to a joint venture led by Japan's Kumagai Gumi.

The contract is one of the largest marine-fill reclamation projects to have been undertaken in Hong Kong. Work commenced on October 1 and is scheduled for completion in late 1989.

The work includes reclaiming 28 hectares of land with marine-fill from areas of sea bed at Ma Wan off northern Lantau Island, and with additional land-fill coming from Tsin Yi island. When completed, it will almost double HIT's terminal handling capacity to 1.6m containers a year and expand the total area to 57 hectares.

The terminal will have three berths capable of accommodating the largest fourth generation and "Supermax" ships and it will be the largest single container facility in Hong Kong.

Kumagai Gumi's two partners in the joint venture are the Japanese trading house, Mitsui and Co, and Ham International Dredging Contractors, part of the Dutch contracting company, Hollandsche Aanneming Maatschappij BV. In the first eight months of the year throughput at HIT was 651,800 containers compared with 580,000 for the corresponding period of 1985.

★

WILCON CONSTRUCTION, building division of Wilson (Connolly) Holdings, has negotiated three design-and-build contracts worth nearly £2.5m. Two of the awards, for London-based Baltic Developments, are in the enterprise zone at Park Farm, Wellingborough. At Morris Close, Wilcon has started work on Chieftain 3, Baltic's 27,000 sq ft speculative industrial unit. The £448,000 contract is due for completion in March 1987. Work has also started at Davy Close on a £1.4m 47,000 sq ft factory unit which is pre-let to Gestetner Manufacturing of Wellingborough together with a 20,000 sq ft industrial unit. Work on this contract will be completed in June 1987. At Sheep Street in Northampton work has started on a four-storey office block for local developer Cedarsouth. The 11,000 sq ft block, which retains a Grade I listed Northamptonshire stone facade, is pre-let to Coopers and Lybrand, and is due for completion in August 1987.

★

JOHN WILLMOTT has been awarded a contract worth about £2.5m by St Albans District Council for the construction of 36 houses and 58 flats at The Camp, St Albans. A contract in the region of £1.27m for the Property Services Agency has been placed for re-roofing, repairs and redecoration works to Charles House, W14. Action-over has awarded an £840,000 contract for the re-furbishment of a listed building into offices at 7 Bedford Square, WC1. An order, worth in the region of £575,000, from British Airways Staff Housing Society covers the design and construction of a three-storey block of 24 flats at Bridge Road, Hounslow. The company has been awarded a contract, worth around £365,000, by the Property Services Agency for preliminary works for a parliamentary building in Parliament Street, SW1.

★

FORD AND WESTON has won contracts totalling £2m. They include two housing improvement schemes, worth £800,000, for South Derbyshire District Council, a £300,000 housing maintenance programme for Derby City Council, a fire re-instatement contract worth £290,000 at Belper High School, for Derbyshire County Council, and a refurbishment scheme worth £260,000 to provide a staff restaurant at Ind Coope Burton Brewery's headquarters in Burton-on-Trent, Staffs.

★

SHAND'S building division has won four contracts in the Midlands worth more than £1.6m. The largest is for construction of six loading docks and a warehouse extension for the Wilkinson Group at Carlton-in-Lindrick, near Worksop. The structure will be portal-framed with brickwork and metal cladding. Included in the £646,000 contract are racking, sprinklers and associated external works and drainage. Work has started on building Fosse Primary School, for Leicestershire County Council. £580,000 contract comprises a two-storey building of brick cavity walls with about 1,088 square metres floor area, together with external works and services and minor alterations to the kitchen and hall. For Chesterfield Borough Council Shand is constructing 13 old people's bungalows with all external works and services at Brampton, Chesterfield. The contract is valued at £360,000. The division also has a £244,000 contract from Quick Packaging, Ripley. It involves demolition, and extension of its steel frame to form extra warehousing, a vehicle bay, office and production area.

★

Alteration and refurbishment work by BOVIS CONSTRUCTION at the National Westminster Bank, Kings Mall, Hammersmith, is underway, under a two-phase contract valued at over £600,000. The first phase of the alterations was the development of a management suite at 1-15 King St, some 150 yards from the bank branch. In the branch at Kings Mall, the second phase consists of relocating the processing equipment to the first floor to enable the development of an enlarged public space with unscreened low transaction cashier points.

★

RSK has been awarded two contracts. A pipeline system is to be provided for the distribution of gas to the town of Chinnor, population 6,000. This entails laying 17 kilometres of mains and estimated initial consumer connections of 500. The area is at present without gas. The contract is from British Gas (Southern), and its value £311,000. Pedestrianisation of the central area of St Ann's Road, Harrow, with modular block paving, seating areas, planters, tree pits and other feature work are part of a contract for the London Borough of Harrow, value £356,000.

Looking for oil in the jungle

ROBERTSON RESEARCH has been awarded a three-year contract by the national oil company of Peru (PETROPERU) to carry out a detailed exploration evaluation of its reserved acreage in the jungle areas in the east of the country. The objectives include the identification of drillable structures to establish new oil reserves for Peru, whose production has been declining in recent years. The work will involve a multi-disciplinary technical team. The contract, amounting to £4.7m, forms part of a large (US$50m) programme, substantially funded by the Inter-American Development Bank, Washington DC.

★

RACAL-DANA INSTRUMENTS INC. has been awarded a contract for its universal counter model 1992 by the US Air Force air logistics centre at Kelly Air Force Base, Texas. The five-year contract, for between 8,000 and 12,500 counters, is worth an estimated US$10-16m (£7.1m-£11.4m) depending on the final number of units purchased. Deliveries during first contract year alone are expected to be worth more than $4.5m (£3.2m).

★

HILL GRAHAM CONTROLS has been awarded the first phase of a contract valued in excess of £3m to supply and instal variable speed control gear on a fleet of ferry boats. The contract was placed by British Shipbuilders on behalf of PZ Trading A/S of Denmark and covers the construction of 24 vessels at the North East Shipbuilders' yard in Sunderland. Sea trials of the first two vessels, included in the initial contract phase, will commence in May 1987 with official launches scheduled throughout three years from that date. Once in service, the 1,350 tonnes dwt ferry boats will carry passengers, vehicles and general cargo between various Danish islands and the mainland. The order specifies high technology control gear to vary the speed of each vessel's four fixed-pitch thrusters which are individually driven by 550kW ac cage motors.

★

An £800,000 contract to upgrade various Royal Air Force TRN-26 TACAN (tactical air navigation) beacons has been won by RACAL AVIONICS. Flight checking on the system is now taking place with commissioning of the system expected in October. The TRN-26 TACAN, manufactured by E-Systems in the US and sold under licence in the UK by Racal Avionics has been procured by the Royal Air Force to supplement its ageing ground TACAN beacons. Racal Avionics, which has supplied 21 TRN-26 beacons to the Ministry of Defence for use in West Germany, Cyprus, Falkland Islands and in the UK, will undertake the high power TACAN upgrade programme, carry out the testing, and provide ongoing support to the Royal Air Force.

★

Merseyside Development Corporation has awarded BALFOUR BEATTY BUILDING a contract, valued at £806,000, for the refurbishment of a dockside transit shed. The contract includes re-roofing, brickwork repairs, floor repairs, drainage, partitions and redecoartion to create an area for occupation by small industries redeveloping the disused South Docks of Liverpool. Work is scheduled for completion by April.

★

Pick specialist SANDERSON COMPUTERS, distributor for C. Itoh minis in the UK, has won orders worth £750,000 for the latest, the 32-bit 300 series. Customers include TI Reynolds, Goldsmiths, Bramah Engineering, Lancaster University and Newcastle Polytechnic.

MANAGEMENT : Small Business

EDITED BY CHRISTOPHER LORENZ

Design duo set fair in link up

Flux metal furniture which interested international buyers at last month's Milan Furniture Fair

SELLING MODERN British furniture to Italy, cradle of the innovative and the avant garde, is no mean feat. For a pair of fresh-faced young designers newly out of college (the Royal College of Art) the idea of taking a stand at the prestigious Milan International Furniture Fair is little short of cheek.

Bagging a last minute cancellation at the Fair, they packed up their range of bright coloured tubular tables, stacking chairs and lighting, jumped on a flight to Italy, parked themselves on the stand and waited for the world's trade buyers and design press to descend.

The initiative paid off. Buyers, both retail and trade, from South America to Australia, Japan to France, and Canada to Spain and Portugal registered an interest. Eight Italian importers approached them to be distributors. British distributors were notable by their absence. The press waxed lyrical and the enquiry book spilled over—more than 600 enquiries are now being processed.

For Paul Chamberlain and Peter Christian, the 28-year-olds who make up Flux, the outlook is set fair. But their story —a pitiably rare one—might have been very different were it not for a Birmingham manufacturer strong on nerve.

Their champion was Hoskins, a light industrial manufacturer with a survivor's instinct for diversification. The company started life as a brass founder making brass bedsteads; then at the turn of the century it diversified into hospital beds and ships' berths. Hoskins claims it fitted out half the ships built in Britain at the time, including the Titanic and the Olympic.

After the two world wars, Hoskins recognised the Japanese threat to British shipbuilding and switched its attentions to the fast-growing National Health Service, where its metal "hygienic beds" quickly replaced the old wooden ones, until it became the country's leading hospital bed supplier. Currently with 190 staff, it has a turnover of around £6.5m. Last year it was taken over by the publicly-quoted Scottish Heritable Trust which has interests in floor coverings, textiles, property and light industry.

A spokesman explains: "We looked in depth at a number of possible routes, even cars and aerospace. Modern furniture appeared to us to have a lot of potential and it tied in with our 'metal-bashing' skills." A fresh management team, including a new marketing director, Peter Gardiner, set out to track down a fruitful line in new business. They found Flux at the annual British exhibition in London for trade and retail buyers called Style 86 (Style 87 opens in two weeks' time). Flux was exhibiting under the umbrella of the newly-formed Independent Designers Federation, a co-operative for some 70 individual designers.

"'Look lads,' we said, 'don't go to the States, don't go to Italy—come to Brum. If it's made of metal, if we can bend it or weld it, we'll have a go.'

"What we were short of was new design and, on the other side, it occurred to us that designers can't always be accountants, manufacturers and marketeers as well." So the Young British Designers range of furniture made by Hoskins, designed by Flux, was born. The agreement is flexible, with the designers having sold Hoskins a licence in return for a 5 per cent royalty. This leaves them free to pursue other design commissions and freedom from the pressures of making, selling, distributing and so on.

"Of course there's a high gambling element," says Hoskins. "It's fraught with potential risk. We might get it wrong, though we don't think so. But many British companies look at what the competition is doing, moan like hell about the Japanese and then try to copy, without the investment or the single-mindedness. Then when it fails they say, 'told you so.' Unless we had changed our attitude, we'd have become another chunk of British engineering out of business."

When he first set out to identify potential new products for his company, Peter Gardiner was surprised by the wealth of domestic talent he found. "I wasn't aware there was so much around," he now says. Once Flux was found, the company identified the market as mainly contract trade, though with a certain "yuppie" appeal. It located some 50 to 100 potential retail outlets in the UK. Indeed contract interest has come from supermarkets, dental surgeries, leisure centres and retailers. Recently two major shopping centres placed orders.

For designers Chamberlain and Christian, the choices facing them as they emerged from the Royal College of Art were either to go abroad, join the talent drain and go to Europe where there is an appetite for new design, or go it alone in the UK. "We had so many ideas, we wanted to work for ourselves."

They recognised early on the importance, of marketing, which appealed to Hoskins. "Marketing is just common sense," says Christian.

Milan is voted a success by both the designers and Hoskins. "Orders may still be thin on the ground and profits even thinner," says the spokesman, "but then the range has only been in production six months. Anyone who thinks of going into modern furniture and getting profits after six months is in cloud cuckoo land. If 10 to 15 per cent of our inquiries become orders we're onto a financial as well as a design winner."

Feona McEwan

Diverse routes to marketing

Martin Posner continues his series on exporting

A FIRST-CLASS export agency could save a first-time overseas trader a great deal of anxiety by being able to place the right product in the right market; a commonly used method of finding one is to approach the British Overseas Trade Board's Export Representative Service. A preliminary discussion with the BOTB will be needed to cover the company's operations, sales literature and where possible, product samples should be provided. Armed with this information, UK embassies will contact potential representatives overseas and sound them out. The cost of this service is £125.

A simple and direct way to publicise the company to new customers is to put up a stand at an overseas fair. This normally costs about £4,500. People exhibiting abroad for the first time can reclaim 56 per cent of the cost from the BOTB. It is also important to remember that much goodwill can be generated by obtaining attractive and precise translations of sales literature and price lists.

Publicity for a business can be handled by the BBC's Export Liaison Unit, part of the corporation's External Service. The unit broadcasts interviews with exporters about their products, visits abroad and trade fair successes. The BOTB also runs a corporate publicity unit.

For exporters who wish to sell to a particular market area, the Arab-British Chamber of Commerce is a fine example of how a chamber can develop and introduce buyers. Its library has many unique reference books and statistics. Its visa section speedily handles applications for members and a weekly bulletin identifies tenders, contacts, and gives an immediate overview of the latest economic and commercial trends. Trade information officers are also available to carry out research, and translations are also undertaken. Further information from 6 Belgrave Square, London, SW1X 8PH. Telephone 01-235 4363.

There are ten other joint chambers of commerce offering similar services and another 14 overseas chambers with London offices, covering all major economies.

Another way of gaining orders is to be involved in an outward or inward buying mission organised by a chamber. The London Chamber of Commerce and Industry is expert in promoting trade by arranging these tours and claims that the success rate for gaining orders can be as high as 95 per cent. A west of England kitchen manufacturer, for example, joined a mission and travelled eight times to the US in 16 months gaining $4m of orders as a result. The London Chamber is contactable on 01-248 4444. Inward missions are also promoted to introduce importers to prospective manufacturers and suppliers.

Exporters looking for preliminary leads can use the National Westminster Bank's International Monthly Bulletin which lists opportunities for finding new buyers and markets, the only such publication available from any clearing bank. The BOTB Export Intelligence Service receives daily from diplomatic posts enquiries for products and services, calls for tenders and agents seeking UK principals.

Education

Budding exporters which wish to increase their general overseas marketing knowledge can join the Institute of Export, 64, Clifton Street, London EC2A 4HB, telephone 01-247 9812. The institute has excellent education and training facilities which cover all aspects of overseas trading.

One important hurdle when selling overseas is product liability. The UK is expected within the next few months to start following a new EEC directive which makes producers, mainly manufacturers and importers, strictly liable for defective products that they put into circulation. Product liability insurance is a must, as claims against exporters can be astronomical. In this legal area, trade marks and other intellectual property need to be protected. For example, agents have been known to abscond with valuable trade marks. The rule is talk to a lawyer before entering into any overseas contracts.

The final article will review financing schemes, risk assessment, credit insurance, documentation and shipping procedures. Martin Posner is a credit management consultant.

Management buy-outs

A potential goes untapped

Andrew Fisher explains the negative climate in West Germany

TO HEAR Roger Brooke tell it, there are queues of British investors just lining up to put money into West Germany. Since the country has one of the world's most successful economies, that is hardly surprising.

The problem is that there are not enough publicly quoted companies in which to invest. So what about financing management buy-outs, of which there has been a surge in the US and Britain in recent years?

The snag in Germany is that buy-outs are still only a prospect, though an increasingly tantalising one, on the business horizon. Brooke, the bouncy chief executive of Candover Investments, the UK buy-out specialist, was in Frankfurt last week to tell German managers and bankers how the notion of managers being financed to run their own show had taken root in the UK.

"British investors would be extremely interested in investing in German buy-outs," he said. "They are under-invested in Continental Europe." The seminar at which he spoke, attended significantly by far more banking than corporate representatives, came only a few days after one of Germany's thrusting venture capital groups had publicly drawn attention to what it saw as the lamentable lack of interest in buy-outs.

Not that buy-outs are totally unknown in Germany. There have been a few such as the Loewe Opta electronics and television concern. But the German business and financial mentality, though hardly averse to risk and change, has so far tended to exclude the notion of buy-outs.

Why is this? When it comes to buy-outs, says Klaus Nathusius, management board chairman of International Venture Capital Partners (IVCP), "German managers stonewall." Part of the reason seems to be conservatism and an unwillingness to embrace new-fangled ideas that smack of gimmickry.

Another could be that managers themselves tend to lack the confidence to think of themselves as possible entrepreneurs. Nathusius, speaker at the seminar, tells the story of one German manager keen to buy the division he was running.

The manager, unwilling to go to his bosses direct, went to Nathusius and asked him to make the approach. This he did and the company was receptive to the idea of selling this particular operation to a third party. But the directors were taken aback when they discovered that the would-be purchaser was one of their own managers, about whose entrepreneurial abilities they were distinctly sceptical.

For reasons of commercial confidence, Nathusius is not naming the company in question. But he reckons that the manager could have handled the task of running the operation on his own.

IVCP, based in Luxembourg where its shares are quoted, has been active in German venture capital for about two years. It has stakes in 14 fledgling and adolescent companies, 11 of them in Germany, two in the UK and one in France.

Of its DM 40m ($20m) share capital, DM 16m has been invested. Virtually all of IVCP's funds have come from outside the Federal Republic, showing that foreign corporate and institutional investors are some way ahead of those in Germany in their appreciation of venture capital possibilities.

Failures

About half of the 14 companies are at break-even or better, says Nathusius. So far, none has gone under, though he admits that "we will certainly have our failures." Unlike the US, the venture capital scene in Germany is not expected to be characterised by spectacular successes or collapses.

Nathusius, also a director of the Cologne-based GENES consulting company which advises IVCP on likely candidates for investment, asserts that the latter's efforts to mount buy-outs will be stepped up in the future. "There is a big interest from foreign investors who want to invest in buy-outs."

The problem is chiefly one of education and familiarity. IVCP intends to approach companies with operations outside their main activities and try to persuade them that these would be best hived off and run by their managers. "We see very good possibilities for buy-outs in Germany."

André de Sike, a fellow GENES director, is confident that when buy-outs do take off in Germany— he has no doubt that they will—they will become popular. One reason, he says, that not so many groups have considered hiving off marginal divisions is that diversification has never really been fashionable in German industry. Thus many companies are too integrated just to be able to shed unwanted units.

Foreign investors, he says, are eager to invest in vigorous German companies, whether as financiers of buy-outs or venture capitalists, because they seek an insight into the country's varied technologies.

"Companies want a window into German technology. That window is very important to them." IVCP has tended to invest in firms which use advanced technologies, though it says it is interested in above average growth rather than hi-tech per se.

Companies at the high-technology end of the business spectrum are not mostly the stuff of which the best buy-out deals are made. Candover's Roger Brooke believes that the ideal buy-out company should be several decades old with a good market share and a not too glamorous product, so that it can be purchased at a reasonable price from a parent which has lost interest in the operation. Above all, it needs strong cash flow, with which to service the debt raised to finance the deal.

Many of the companies that would be ideal for buy-outs are family-run and controlled. "A vast proportion of successful, well-run, well-equipped German businesses are privately-owned," stated Brooke. But an owner who built up a family business after the war was not easily persuaded to sell it off.

In many private German companies, "management very often are not shareholders, just stewards in a fuedal estate." They may be adept at running the business but they are not necessarily au fait with the financial intricacies of modern corporate life and may thus find it hard to grasp what a buy-out involves or requires.

Brooke insisted that he was at the conference to tell German bankers and managers how to seek out and structure buy-out deals, but to learn about the market and its possibilites. From the response at the seminar to his comments, the interest is certainly there, at least among some banks.

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Management Courses

Personal

THE ARTS

Jorge Bolet/Festival Hall

Dominic Gill

Jorge Bolet was on magisterial but exceptionally dark-humoured form for his piano recital on Sunday afternoon. He opened his programme with Haydn's tragic F minor variations as a prelude to Haydn's last, great sonata in E flat, to which the variations also lent their subterranean colouring. Both were performances of the greatest delicacy, suffused with a lingering sadness. A notable expressive effect much used in them was a subtle desynchronisation of hands—not so much of vertical attack, as a contrapuntal desynchronisation of melodic and harmonic strands, underlying the lonely independence of the separate voices.

His account of Schumann's C major Fantasy was similarly subdued — full of darkling lights, brief surges, sudden plummetings to the depths. His second movement tempo was very restrained; its famous *molto piu mosso* coda almost stately. The focus was on the slow final movement as the heart and summation of the work, to which the first two movements had been only an insubstantial, phantasmagoric prelude—a canvas of magical stillness and rapture, endlessly sad.

As if to underline his theme, Bolet continued after the interval with Grieg's dark and melancholy Ballade op.24, which his deliberate tempos made sound more melancholy still. It was a beautiful, but wrenching, performance; and the dark clouds even cast their shadows over Venice—for the opening pages at least of his account of Liszt's Gondoliera were certainly closer in spirit to a dirge than to Peruchini's *La Biondina*. The Canzone which follows in Liszt's *Venezia e Napoli* triptych is a sinister swirling re-creation of another gondolier's song, and under Bolet's hands on this occasion it was dark with menace. The Tarantella, brilliantly, indulgently thrown off, was the afternoon's only ray of sunlight: a cascade of glitter and yearning, sensuous and steel-tipped by turns.

John Lill/Barbican Hall

Dominic Gill

For many years after he won the Chaikovsky piano prize in Moscow in 1970 I found John Lill's playing, and of Beethoven in particular, admirably proficient but prosaic, curiously wooden, lacking in dramatic presence. He was a solid, worthy but rarely an inspiring pianist. That label stuck for a long time, perhaps longer than it should; and two concerto performances earlier this year, both of them as exciting as they were proficient, made me wonder if a reassessment might be overdue.

Four years ago, Lill gave his first complete cycle of Beethoven sonatas on the South Bank. Between now and mid-December he is repeating the cycle in 18 lunchtime recitals on Tuesdays and Fridays at the Barbican. I was a little disappointed last Friday by the opening recital; but it got distinctly better as it progressed—and it will be interesting to see, especially at the summits (except for the final sonata, the order is not chronological), how the series develops.

The first movement of Op. 10 No. 3 (D major) recalled for much of its length the same crisp, prosaic delivery I remember of old. But the great Largo had fine dramatic presence, and a lyrical unfolding whose firmness, and gentleness, struck me as quite new. What Lill decides to inflect expressively, and what he decides to leave uninflected, can be still something of a mystery. There was much powerful and penetrating expressive detail in the minuet and rondo—and several key moments, notably in the finale, which were left surprisingly bald and unnuanced.

This imbalance continued in the second sonata of his programme, the Apassionata, whose first movement was if anything, for my taste, marginally over-inflected, colouring an *allegro assai* with a rubato intensity it does not really need.

Mahler/Festival Hall

Max Loppert

Mahler symphony performances by Klaus Tennstedt and the London Philharmonic have become a regular feature of London concert life. But, as Sunday's momentous Third showed, it would be a mistake to take them for granted just for this reason. This was a Mahler performance filled to the brim with vitality, the kind that makes the long work fresh and makes even the most sated Mahlerian listen with rekindled interest and excitement. In Tennstedt's view of the work, and in the orchestra's marvellously sympathetic response to it, there are no slack points, no excuses for passing inattention; the argument runs with taut concentration through the long movements.

Tennstedt is a Mahler conductor unafraid of musical sharp edges. Nervous intensity informed all six parts of the symphony—not just the solemn orations of the opening and the Nietzsche setting, nor the glowing chorale-like sequences of the finale, but equally the picturesque charms of the "Flower" and "Animal" movements. Everywhere detail bristles with immediacy. Nature-painting gives off a charge of "felt life," and thus the fund of Austrian folk-music rhythms (and of folk-tale dramatic momentum) underlying the *Knaben Wunderhorn* movements loses all possible threat of sentimentality.

The unfolding of the whole work is pressed constantly forward; the orchestra is rendered tirelessly alert to the need for clear lines and clean textures. The finale has seldom sounded less like a "slow movement" — when each strand is so urgently presented — Mahler's rightful place among the great polyphonists of music becomes undeniable.

But with so many linked strengths comes, I feel, a complementary disadvantage in Tennstedt's view of the Third. The music creates a "whole world", and adumbrates moods of Erda-like solmenity and stillness as well as of buzzing activity. In this performance, there was little sense of them: everything was depicted in the most urgent close-up (perhaps this is an aspect of Tennstedt's Mahler that the dry acoustics of the hall exaggerate). Not a complete view, then—but an immensely powerful and engrossing partial one. The beautifully warm-toned mezzo-soprano was Waltraud Meier; the chorus was made up of LPO Choir women and Eton College boys, both parts excellent.

Richard Serra's 1-1-1-1, hot rolled steel, 1969, in the Saatchi gallery

Saatchi Collection/William Packer

Complementary season

Not the least remarkable feature of the Saatchi Collection, which by any reckoning is one of the most ambitious and substantial of modern times, is the generous and serious manner in which it is being made accessible to the public. It is 18 months since the extensive and once unprepossessing run of factories and workshops at 98A Boundary Road near Swiss Cottage, which the architect Max Gordon had converted into one of the largest, most beautiful and effective exhibition spaces in the country, opened its doors for the first of a long programme of exhibitions in which *The Art of Our Time* is to be set out and defined. The fourth and most impressive selection is now on show (until early next summer: open Fridays and Saturdays 12 to 6 pm—other days by appointment — 01-624 8299). It covers the American minimalist sculptor Richard Serra and the German neo-expressionist painter Anselm Kiefer.

Given the manifestly undomestic scale and unprivate nature of so much of the work that Charles and Doris Saatchi have bought since 1970, the unworthy thought occurs: what else could they do with it all but show it in this way — though they are generous lenders to other exhibitions. But with the very scope and size of their collection, we are confronted with the harvest of sometimes an almost wholesale policy of acquisition that not only on occasion calls particular judgment into question, but may also distort the market it supports. (Against such misgiving I must say at once that already we have seen so much that is so good and shown in such strength that artists' reputations have also been substantiated and enhanced.)

Serra and Kiefer may seem at first an unlikely pairing, but in the event they sit together extraordinarily well; for the first time at Saatchi the work is shown unsegregated. Both artists work on the most ambitious scale and match each other in consistency of statement and aesthetic. Kiefer's enormous, brooding and ambiguous canavasses are possessed of authority quite enough to stand up to the physical presence of Serra's massive simplicity, and the quiet unforced romanticism of Serra's works, with their natural rusted patination and residual factory markings, is brought out by the direct contrast with Kiefer's more active pictorial surfaces.

The earlier works here by Serra date from the late 1960s. They are, for him, small conceptual pieces concerned with the physical realisation of simple ideas of prop and balance and unfixed structure, the image or conformation of the work derived naturally from the demonstration of first principles. But they are more than mere exercises, for they are achieved with an elegant simplicity that teases the imagination into more ambiguous areas of speculation and possibility. A slab of lead is a slab, is a slab and with what odd authority it supports its fellows to define the space they occupy and the gravity they defy.

The later works are bigger by far and even simpler in principle; the problems of installation must be staggering. As the informing idea grows more simple, so effect and implication grow ever more mysteriously and potently suggestive, as they do with standing stones and ancient tombs. A piece of massive monumentality commands the largest of the galleries, consisting of two huge free-standing sheets of steel, each some 12 feet high, that curve gently together at a somewhat unnerving tilt to enclose an open-ended boat-like space. To enter and walk through it is to experience space as a palpable, particular entity.

After Julian Schnabel at Whitechapel a week or two ago, it is a considerable relief with Anselm Kiefer to come to another artist of the new wave of figurative expressionism, who in influence and reputation stands quite as high as Schnabel yet is clearly a painter of real quality and substance, and certainly one of the most significant to emerge in Europe these 30 years.

His large, vigorously worked canvasses carry images of landscape or architecture that are at once augmented and violated, in the approved modern fashion, by the application to the surface of all kinds of extraneous matter, to say nothing of the paint itself which is direct and self-assertive. Sand and straw supply the more general texture, with such things as a bird's wing of cut and folded lead, or a set of metal implements as the more particular and quasi-sculptural imagery. Some of the paintings are worked freely upon a photographic ground, and almost all are glossed by the incorporation of texts or rubrics into the painting itself.

The landscape images take either a deep perspective across burnt stubble fields or what might be a devastated battlefield, or occasionally they take a closer view at the roots of the burning straw. The tone is consistently low and dark, the colour kept to black and white, grey and ochre, with a stab of pink or orange for the flames. The mood is dark and consciously operatic, not so much in the imagery as such as in the theatricality of scale and statement, and the literal hints at German myth and legend.

The work is dense with reference to ancient agriculture and the magical persistent strength of the land itself and of a culture that must be renewed by rituals of fire. The ceremonial hall is lined with flaming torches; the dark crypt closed off by the pyre alight at its far end; the fields ablaze with magic rings and lines of fire. This imagery has gained steadily in strength as Kiefer has moved away from the associations of modern times towards something more mythic and universal. For all the apparently arbitrary energy of the work, it is always fully controlled even on the very largest scale, the surface rich and dense, the imagery fully established and realised to exploit the tension that exists in all good painting between the fact of the surface and the pictorial illusion of form, space and light.

Britten-Tippett Festival/Wigmore Hall, Festival Hall

Composer as commentator

As he gets older, Tippett gives more cogent and amusing interviews. His relaxed discussion about the musical life shared by himself and Britten was one of the highlights of this five-hour marathon at the Wigmore Hall on Sunday. At one point he wrily noted how Britten had complained about the difficulty of his piano parts, a point not at all lost on Paul Crossley, his interviewer, who had just finished performing the fiendishly difficult Fourth Piano Sonata.

In a mixed programme of very variable items, this work stood out, both for its sheer scale and strength. Tippett has created a sonata of vast dimensions, packed with striking ideas. Its central movement (out of five) is almost a work by itself, picking up motifs from the Fourth Symphony and working them with almost improvisatory skill into a massively powerful new structure. The music abounds with energy and rich colours, fully realised in Crossley's dynamic playing.

In the rest of this programme the substantial items mostly came from Britten. When Tippett was asked to pick out the salient differences between the two men as composers, he chose to mention "clarity of sound" and "precision" in Britten's style. These elements, above all, come to the fore in the *Songs from the Chinese*: accompanied by guitar, this economical cycle takes one musical thought at a time and shows how to create moving statements out of the smallest handful of notes.

It is not heard often, perhaps because the combination of performers is not standard. Here Robert Tear and Julian Bream, tenor and guitarist, made the piece a sparkling and very intimate example of Chinoiserie, scaling down their dynamics to suit it to perfection. Earlier Tear had sounded more strenuous in the Third Canticle *Still falls the Rain*; while Bream, for his part, went on to give a fine account of the *Nocturnal after John Dowland* for guitar solo.

The choral pieces were less successful. Britten's *Hymn to St Cecilia* really needs a choir and the five soloists from the London Sinfonietta Voices did not suit its choral textures, especially as their voices were not even in quality. His mediaeval lyrics *Sacred and Profane* went better, but both here and in the Tippett items—*Lullaby* and *Dance, Clarion Air*—a small well-trained chorus might have offered more unanimity in tone and ensemble. At least, for once, the Britten-Tippett Festival had a full hall.

Richard Fairman

Second Symphony as centre

An unqualified masterpiece coupled with two significantly lesser achievements made up Thursday night's instalment of the Britten-Tippett Festival. In David Atherton's propulsive raw-boned reading Tippett's Second Symphony was plainly the pivotal point of its composer's career that subsequent works have shown it to be: the deliquescence of *The Midsummer Marriage* and its satellites combined with the Stravinskian blocks which were to take his music into the world of *King Priam* and beyond.

The Second is the one Tippett symphony that requires not a sentence of special pleading, and Atherton presented its clash of styles as invigorating friction, charging the slow movement with purposeful intensity and setting the dancing rhythms of the scherzo into play so appealingly the long-windedness the movement sometimes possesses was all but expunged. It was not technically the best finished of London Sinfonietta performances: the first movement had moments of roughness, suggesting the orchestra does not automatically sustain its customary brilliance when expanded to symphonic proportions.

The Divertimento on Sellinger's Round, the least characterful of Tippett's concert works, had begun the evening; Britten's *Cantata Misericordium* was its centrepiece. It has become a rarity in the concert hall, and hardly transcends its origins as a work written to celebrate the centenary of the International Red Cross in 1953. In this context its curious affinity with *A Child of our Time* was underlined, in the fusion of *scena* (the parable of the Good Samaritan) with cantata, and the interweaving of chorus and soloists. But the invention is too often routine, hard though Stephen Roberts, Philip Langridge and the Sinfonietta chorus worked to inject dramatic intensity and credibility into the torso.

Andrew Clements

The Representative/Glasgow Citizens'

Michael Coveney

Rolf Hochhuth's 1963 documentary drama caused a furore in both Berlin and London (the RSC performed it at the Aldwych) for alleging that Pope Pius XII refused to intervene as, in 1942, knowledge of the mass extermination of Jews piled up on the Vatican doorstep.

When the deportations from Rome began and, as Gerald Reitlinger says in *The Final Solution*, "Jews were here herded to their death from the very shadow of St Peter's," the Pope still said nothing beyond extending sympathy to all victims of the War. But Hochhuth's Pius is presented not as a collaborationist anti-semitic cold fish (a popular conception agitated in the furore) but as a subtle, anxious politician convinced that Communism and Stalin were a much bigger long term threat to the Catholic Church than were Nazism and Hitler. Ciaran Hinds, trembling but hawkish behind protective spectacles, is a superb Papal whiter-than-white presence.

As Cardinal Pacelli, Pius had been instrumental in formulating the 1933 Concordat with Hitler. Not wishing to violate that treaty, Hochhuth shows Pius washing his hands in the face of a young Jesuit's pleas for intervention.

The Jesuit, Riccardo Fontana, represents in the play the spirit of guilt and inquisitive conscience felt by Hochhuth and his post-War contemporaries in Germany. But he is also based on a real character who adopted a yellow star in protest at the Pope's silence and went on the train to Auschwitz.

Robert David MacDonald translated the play for the RSC and had worked closely on it with both Hochhuth and its first director, Piscator. The text is vast and unwieldy and any revival must make choices. So we lose a long beer cellar scene with Adolf Eichman and the unnamed evil Doctor of Auschwitz. But that Doctor, brilliantly played with almost angelic suavity by Laurance Rudic, appears in the final scene to present his vile activity as a nihilistic philosophy.

Alongside Colin Haigh's bitterly frustrated and uncomprehending Montana, Mark Lewis plays the icily ambiguous Kurt Gerstein, a Nazi double agent who provides the Allies with statistics from the death camps in Poland. His dilemma is a little clouded by the excision of the Jewish family scenes in Rome, but Mr MacDonald's approach is at least consistently chilling and monolithic.

At a greater distance from the atrocities, and with the current Pope exercising his influence in South America, Hochhuth's play can be seen as a dramatic essay in public and political conscience. The Church has always measured its statements in terms of political expediency.

This kind of documentary drama was a phenomenon of German theatre in the early 1960s, and it looks its age. Television, even in these newly nervous and censorious days, would be a more efficient way of handling the topic now. But the Citizens' production, for all its ungainliness and length (nearly three hours), reminds you that so little of today's theatre has the courage and intellectual will to deal head on with political and historical issues.

*

I cannot believe, for instance, that John McGrath's 7:84 Scottish company offers sentimental softness as an alternative to its more familiar political stridency, but *The Albannach*, which stopped off at the Assembly Rooms in Edinburgh last week before departing for an extensive tour of the Highlands, is really a little disappointing.

Fionn MacColla's 1932 novel ("the most radical product yet of the whole Scottish Renaissance movement"—Hugh MacDiarmid) has been adapted by McGrath as a simple story of the Albannach, Murdo Anderson, rejecting the religious small-mindedness of his Highlands background before — via escape to Glasgow University and domestic tragedy — coming to appreciate his roots and all that fiddling and yarn-spinning around the old peat fire.

The seriousness of the fate of the Gaelic language and culture was underplayed, but the Assembly Rooms is a difficult venue and the show will probably take off in Fort Augustus and Islay, in Barra and Sleat (where the tour ends on November 15). Good strong performances from Vincent Friell and Catherine Ann MacPhee, and lively fiddling and piping, ideal for the customary ceilidh with which 7:48 conclude proceedings.

Sean Hudson

Vincent Friell and Catherine Ann MacPhee in The Albannach

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 3-10

Opera and Ballet

LONDON

English National Opera, Coliseum: The new production of The Mikado by Jonathan Miller aims to divest G & S of their Japanese top layer and explore the quintessential Englishness beneath. Eric Idle makes Ko-Ko his first opera-house appearance; ENO regulars include Lesley Garrett, Felicity Palmer and Richard Van Allan, and the conductor is Peter Robinson. Revivals include another Miller production, The Marriage of Figaro, and the ENO's irritatingly self-conscious Madam Butterfly with Rosamund Illing and David Rendall.

Royal Opera House, Covent Garden: The Royal Ballet returns on Wednesday and Thursday with a triple bill featuring David Bintley's recent Galanteries, receiving its London premiere.

Sadler's Wells, Rosebery Avenue: The Central Ballet of China plays all week with a fascinating collection of ballets and some fine dancers.

PARIS

Don Carlos conducted by Georges Prêtre and produced in its original version by Marco Arturo Marelli who, by choosing a sober decor, allows full play to the opera's dreams. Paris Opéra (4266 5022).

Ariadne auf Naxos conducted by Lothar Zagrosek with The Prima Donna Ariadne sung by Montserrat Caballe/Helene Garetti. Opéra Comique (4296 0611).

China in the Autumn Festival Programme: Spectacles dans une Maison de Thé. Théâtre National de Chaillot (4727 8115).

The Bolshoi Ballet and the Bolshoi Philharmonic Orchestra present three different programmes: The Golden Age, Raymonda, Giselle, and Mozart and Salieri at the Palais des Congrès, Porte Maillot until Oct 27. (4758 1494).

WEST GERMANY

Berlin, Deutsche Oper: 25th anniversary season. Fidelio, produced by Jean Pierre Ponnelle, stars Richard Versalle, Lisbeth Balslev, Barbara Vogel and Gerd Feldhoff. Rigoletto's new cast stars Angela Denning, Ryszard Karczykowski and Ingvar Wixell. Also in the repertory are Orpheus and Euridice and Gundula Janowitz giving a lieder recital.

Hamburg, Staatsoper: La Bohème, sung in Italian, features Rachel Joselson, Guiliano Cianella and Kurt Moll. Lohengrin, conducted by Guiseppe Patane, stars Gabriele Schnaut, Nadine Secunde, Rene Kollo and Harald Stamm. La clemenza di Tito stars Judith Beckmann, Doris Soffel, Stafford Dean and Werner Hollweg; Il Barbiere di Siviglia rounds off the week.

ITALY

Milan: Teatro Nuovo: the Scala Ballet Company with four ballets: "Concerto Barocco" (music by Bach and choreography by George Balanchine), l'Après-Midi d'un Faune" (Débussy/Robbins), "Nursery Songs" (E. von Dohnany/Laszlo Seregi) and "Time out of Mind" (P. Creston/Brian Macdonald). Fri, Sat, Sun. (41 82 26).

Florence: Teatro Communale: Paris Opera production of Cherubini's Medea (sung in the original French) conducted by Bruno Bartoletti. Shirley Verrett sings the title role (alternating with Dunja Vejzovic), Ernesto Veronelli (Neil Wilson) as Jason, Patrizia Pace as Dirce, Nicola Ghiuselev as Creon and Margarita Zimmerman as Neris. The opera is directed by Liliana Cavani. Sat, Sun.

Bologna: Teatro Communale: Tosca by Puccini, with Silvano Carroli, Raina Kabaivanska, Nicola Martinucci/Gianfranco Cecchele, conducted by Romano Gandolfi and directed by Giancarlo Cobelli. Sun, Tue (22 29 99).

NETHERLANDS

Amsterdam, Muziektheatre: The Netherlands Opera presents Verdi's Falstaff directed by Livin Ciulei with The Hague Philharmonic conducted by Hans Vonk: Timothy Noble, John Brecheler, Ashley Putnam and Anne Howells star (Tue). A double bill with Netherlands opera; Ithaka, a new opera by Otto Ketting, and the National Ballet in Toer van Schayk's Like Orpheus (Wed). The National Ballet with Hans van Manen's Opening, the Collective Symphony by Van Dantzig, Van Manen and Van Schayk, and Van Schayk's Seventh Symphony (Thur). (255 455).

VIENNA

Staatsoper: Rigoletto conducted by Boncompagni with Devia, Yachmi, Winsauer, McNair (Fri, Tue); L'Elisir d'Amore conducted by Weikert with McLaughlin, Sima, Hadley, Pola, von Kannen (Sat, Thur); Turandot conducted by Segerstam with Marton, Ghazarian, Kmentt, Polgar, Ciannella, Sramek (Sun); The Kabuki: ballet by Bejart. Guest performance of the Tokyo Ballet (Mon); Der Fliegende Holländer conducted by Schneider with Mekler, Gonda, Hoelle, Waechter, Morris (Wed).

Volksoper: Wiener Blut conducted by Bauer-Theussl with Szep, Haas, Loewinger, Juster, Klein (Fri); Madame Pompadour conducted by Bibl with Kales, Burger, Prikopa (Sat, Wed); Die Fledermaus conducted by Bauer-Theussl with Szep, Kales, Zsadon, Juster, Eder (Mon); La Fille mal Gardée: ballet by Ferdinand Herold, conducted by Artmueller; Hänsel und Gretel conducted by Richter with Banfalvi, Ottenthal, Eder (Thur). (51 444/26 57).

NEW YORK

New York City Opera (NY State Theater): The week features Anthony Davis's X (The Life and Times of Malcolm X) with libretto by Thulani Davis and story by Christopher Davis in Rhoda Davis's production conducted by Christopher Keene; also Don Quichotte, conducted by Mario Bernardi and directed by John Copley, and Werther, conducted by Sergiu Comissiona in Lotfi Mansouri's production. Lincoln Center (870 5600).

Merce Cunningham & John Cage (Brooklyn Academy of Music): Opening the year's Next Wave Festival, two avant gardists from before the expression started collaborate on Roaratorio, based on Joyce's Finnegans Wake. Ends Oct 12. (718 636 4100).

Metropolitan Opera (Opera House): James Levine conducts Le Nozze di Figaro in Jean-Pierre Ponnelle's production with Elisabeth Söderström, Kathleen Battle and Thomas Hampson. John Dexter's production of Aida is conducted by Nello Santi with Martina Arroyo, Grace Bumbry, and Leo Nucci. Julius Rudel conducts Manon in Gian Carlo Menotti's production with Leona Mitchell, Ermanno Mauro and Brian Schexnayder; Otto Schenk's production of Die Walküre is conducted by James Levine with Hildegard Behrens, Jeannine Altmeyer and Simon Estes. Lincoln Center (362 6000).

CHICAGO

Lyric Opera: Christof Perick conducts Pier Luigi Pizzi's production of Parsifal, a Lyric Opera premiere, with Tatiana Troyanos, Jon Vickers and Hans Sotin. The Magic Flute features Francisco Araiza as Tamino and Judith Biegen as Pamina, conducted by Leonard Slatkin in August Everding's production (Mon, Thur). Michael Tilson Thomas conducts John Copley's production of La Bohème with Katia Ricciarelli and Luis Lima (Tue). (332 2244).

TOKYO

Covent Garden Royal Opera Japan tour continues with John Copley production of Cosi fan tutte with Kiri te Kanawa, Anne Sofie von Otter, Walter Berry and John Aler. Bunka Kaikan (Mon, Wed). (723 2356).

Kibbutz Dance Company: Dance-theatre company from Israel directed by Yehudit Arnon. Nerima Bunka Centre, Small Hall (Mon); ABC Hall, near Shiba Park (Wed). (334 3710; 237 9090).

Saleroom/Antony Thorncroft

Unmovable earthenware

Continental ceramics have not been in the highest demand in recent months, so Christie's was quite pleased with its total of £445,285 yesterday. The sale was 26 per cent unsold, which was mainly attributable to the failure of the top lot, a Sèvres rose marbre garniture of three vases, to find a buyer; they were bought in at £80,000.

Sent for auction by the Duke of Buccleuch they were expected to be worth around £30,000 each but their colour — pink and blue — told against them. By coincidence when they were originally made, in 1761, they were hard to shift, and did not find a buyer until 1774. Even so they are pretty objects, illustrated with scenes, after Boucher, of lovers in a landscape setting, and only the high reserve stopped them from selling.

Top price was the £93,500 paid by Armin Allen, the London dealer, for a pair of documentary white hunting groups made at Vincennes around 1752. They are of great interest to ceramics enthusiasts because the factory found it hard to manufacture such complicated objects at this period and many broke in the kiln. These are covered with cracks but are generally in good condition.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday October 7 1986

Blander still and blander

WHAT THE Conservative Party Conference needs as it opens in Bournemouth today is a really good row; or, better still, a series of good rows. The Tories have had things too easy for too long to be allowed to get away with another stage-managed conference, with occasional noise off.

The initial signs are that it will again go all too smoothly this time, not least because the other parties are playing into the Government's hands. The Social Democratic and Liberal Party conferences last month came a cropper when the two Alliance patries failed to agree on defence. The Labour Conference in Blackpool last week looked disciplined, but the party has landed itself with an anti-nuclear defence policy that is unlikely to pay electoral dividends. Neither Labour nor the Alliance have yet come up with a fully-fledged economic policy.

Short-sighted

The absence of a coherent opposition can lead to Tory complacency. In their television interviews on Sunday both Mr Douglas Hurd, the Home Secretary, and Mr Norman Tebbit, the party chairman, spoke as if it were merely a matter of filling in a few gaps that have somehow been overlooked in the last seven years: spending a bit more on housing and education and pointing out that rather more has been spent on health than most people have realised.

That is a very short-sighted view. The Tory record of achievement has fallen far short of what was promised. There have been gains, to be sure: the curbing of the power of the trades unions, the reduction of inflation (though even that may now be beginning to turn) and a lessening of state controls in the economy. The list of failures, however, is daunting: unemployment and the spread of poverty, for example. The exchange rate is again precarious and the balance of payments prospects none too pleasing.

Problems accumulate

Moreover, while Mrs Thatcher has been trying to turn the country round, other countries have not been standing still. The best that can be said is that Britain's relative economic decline has been halted while other problems, such as the long-term unemployed, have accumulated. The Government has been helped by the existence of two oppositions who dislike each other quite as much as they dislike the Tories. It can make as many mistakes as it likes, such as Westland, and manage to get away with them.

Not a lot of that will be heard from the platform this week. Yet party conferences are a two-way process: the platform speaking to the floor and the floor speaking to the platform. The Tory Party in the past has been excessively deferential, confining its dissidents to coded messages at fringe meetings. An outburst of anger from the floor would be an entirely healthy development. Otherwise it will be moved a rally than a conference, and there is not much to rally about.

Chance for a truce on aid

AFTER FIVE years of milking aid budgets to compete against each other for project business in the developing world, the OECD countries seem ready to declare a truce. Officials of the 24 member governments of the OECD go to Paris this week with proposals for checking the subsidy race that for the first time look reconcilable.

All parties now appear to agree that a sharper line should be drawn between aid and commercial funding, even if the separation cannot be made complete. They agree that the aid component of any subsidised project financing — whether a mixed credit or a soft loan—needs to be raised from the 25 per cent agreed by ministers last year; all that remains is to compromise on the amount.

The US has set a target of 50 per cent, but would probably settle for 40 per cent. The EEC is proposing 35 per cent, phased in over two years. So far, at least, there seems little dispute that raising the cost of subsidy in this way would provide a healthy disincentive to the commercialisation of aid programmes.

Rule change

More difficult to achieve will be agreement on how that extra cost should be distributed. The present system of calculating the aid element favours countries with low interest rate currencies—and especially Japan, whose ability to help its suppliers into contracts all over Asia is particularly resented. The system under discussion this week would remove that advantage overnight: and it is seen by some of Japan's competitors as the precondition for the new self-discipline on subsidies.

So far, Japan has refused to accept what it sees as a discriminatory change in the rules. But there are hopeful signs even on this score. Pressure on the Japanese to fall into line—perhaps in exchange for a concession on some other point—has been growing and some Western officials are optimistic.

Whatever else may be said about Japan's aid programme, it can scarcely be regarded as vital to the country's export effort. At a time when the problem of Japan's manufacturing trade surplus is at the centre of macroeconomic debate, it would be politically inept of its OECD delegation not to seize the opportunity of making this concession to aggrieved trading partners.

New climate

Furthermore, the climate has changed since the OECD last met to talk about aid as a commercial subsidy. A global trade negotiation has been launched under the General Agreement on Tariffs and Trade, with an unprecedented range of commitments to tackle government distortion to international commerce. Capital projects are a very small part of world trade —even if they excite a lot of political attention—but they are exceedingly vulnerable to unfair competitive practices. The OECD negotiators have a chance this week to arrest one of the most glaring examples of counterproductive subsidisation.

Wider choice in Fleet Street

WHEN THE structure of an industry is transformed by the introduction of new technology and the removal of restrictive practices the outcome usually conforms to a predictable pattern. Costs come down and new entrants are attracted by the prospect of higher returns; increased competition then puts pressure on the industry's profits and the least efficient companies are squeezed out.

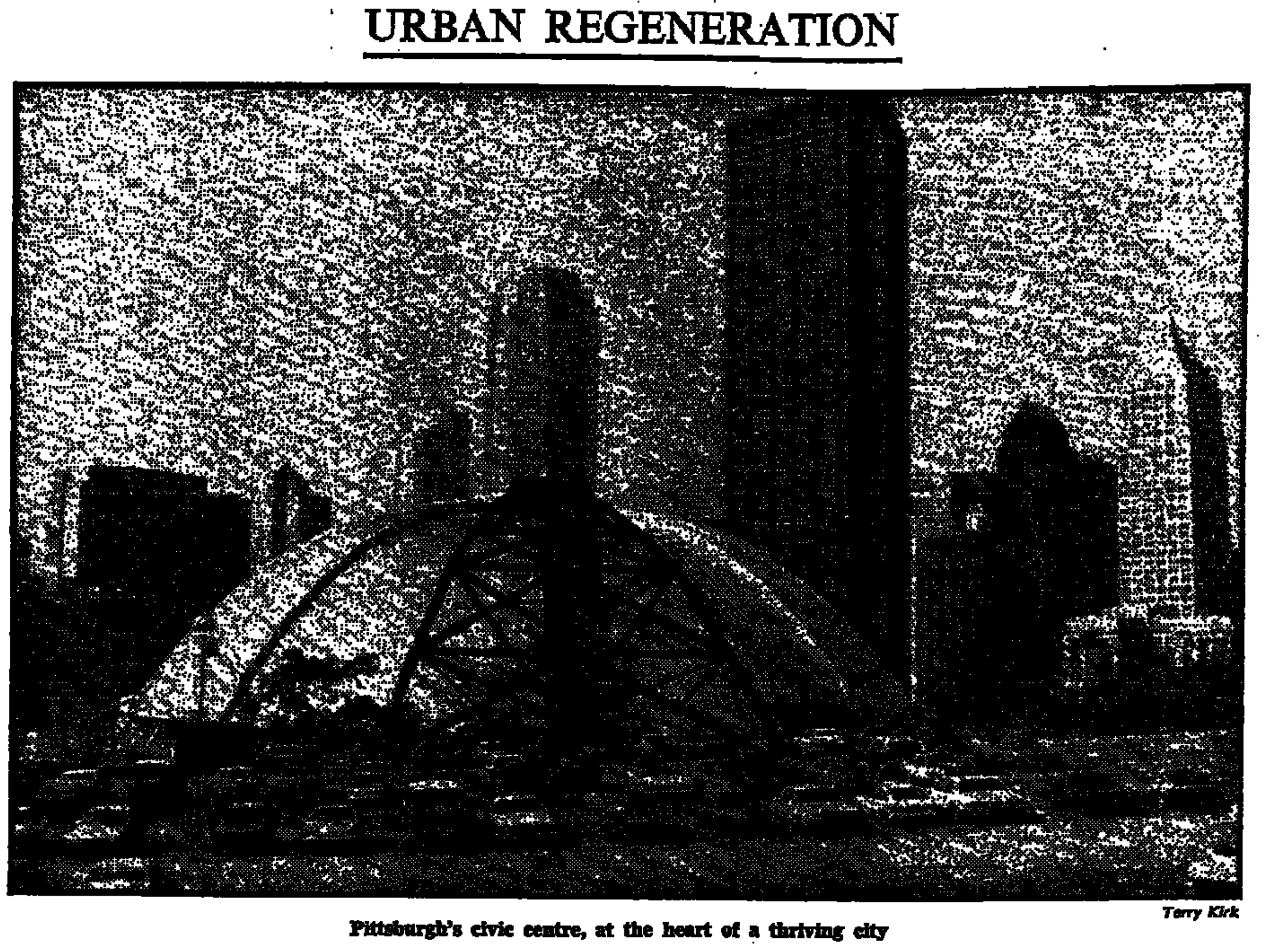
In the case of Britain's national newspaper industry the new entrants have arrived on the scene before the old hands have had time to enjoy the benefits of a substantial reduction in costs. By the same token backers of The Independent, the new British quality newspaper launched today, must be prepared for the odd sleepless night—if indeed they have not suffered insomnia already following the problematic launch and subsequent change of control at Mr Eddie Shah's Today.

But whether The Independent succeeds or fails, there is every reason to welcome the attempt to offer a wider choice to the public. The new paper is setting out to challenge a number of Fleet Street orthodoxies, such as the belief that people prefer to have their newspaper confirm their political prejudices.

Entrepreneurial role

It is also refreshing that this venture should have attracted capital from City institutions on the basis of a straightforward prospectus. The ownership structure in Fleet Street has long been biased towards larger than life entrepreneurs for whom the lure of writing headlines has got the better of the requirement to make a profit. At The Independent, the editor, Mr Andreas Whittam Smith played an entrepreneurial role in setting up the project. Whether this will ultimately lead to tensions remains to be seen; but it is a healthy step in the direction of pluralism.

URBAN REGENERATION



Terry Kirk

Pittsburgh's civic centre, at the heart of a thriving city

Pittsburgh points to some possible answers

By Nick Garnett

A WEEKDAY morning at the Hyatt hotel near the grey and functional heart of Pittsburgh, home of the Steelers American Football team and the Iron City brewery; all names synonymous with the grind and grit of steelmaking and heavy engineering.

More than a hundred smart-suited venture capitalists, executives of the big local corporations, small companies short of development cash and academics from the area's universities file in for a pre-lunch get-together and a meal of veal with gravy, chocolate cake and apple juice.

Held twice a month, it looks like one of those low-key business-to-business meetings that flood the foyers of Britain's motorway hotels. But it is not. The Hyatt gathering is a sign of something happening in this down-to-earth north-east US city that is absent from almost every city and town in the struggling industrial areas of the British Midlands and North. In Pittsburgh and some of the towns around it, confidence, after a period of profound self-doubt, is back in vogue and unemployment is tumbling.

Sixty miles long with 2.5m people and a core area of 400,000, greater Pittsburgh knows a lot about transformation. It has for decades been much more than a steel town, enjoying a steady post-war diversification into services.

Even so, the last recession, dragging Pittsburgh's steelmaking along the Monongahela and Ohio rivers to the point of collapse, drove unemployment up to 14.5 per cent three years ago.

But unlike British cities, where unemployment figures seem cast in stone at anything from 14 to 22 per cent, that of greater Pittsburgh is falling, down to 9.5 per cent last year, now 8.6 per cent and dropping.

Unlike these British cities, Pittsburgh is attracting to its vast amounts of money—$1.5bn for capital projects alone in the 1983-88 period.

The contrast in mood is even more startling than the statistical comparisons. Unlike the British cities, Pittsburgh's business and political community is bristling with anticipation of change.

The Hyatt meeting at which sources of finance and managers from the locally-based multinationals are brought together with small businesses trying to climb up from the first rung, is a symbol of that confidence

"The astonishing thing is that this great growth in services is happening in the face of protracted decline in manufacturing employment and output. These jobs are not just flipping hamburgers and shovelling French fries," says Mr Norman Robertson, the English chief economist of Mellon Bank, whose headquarters are in Pittsburgh.

No one questions that Pittsburgh and the five counties that surround it possess unique advantages. It has the third largest grouping of corporate headquarters among US cities—including Westinghouse, Heinz, USX, Rockwell, Alcoa — possessed two large banks—Mellon and the Pittsburgh National—some of the country's richest private foundations and a 30-year history of intertwining between big business, local politicians and now the universities.

But few of those in Pittsburgh who know Britain well doubt that part of the difference in performance goes to the heart of some of the UK's most chronic problems—the sheer lack of financial resources which are being increasingly sucked onto the south-east, the lack of any common purpose between town halls and big business in many cities, the parochial structure of the UK's development agencies, the sheer lack of demand in the UK economy and the weak diffusion of university research into the business community.

Compare the position with the British conurbation of Greater Manchester, a smaller and much more heavily urbanised community but with the same population as Greater Pittsburgh, a sprinkling of company headquarters, the Co-operative Bank head office and three universities.

Unemployment in the British conurbation sticks stubbornly above 15 per cent where it is has hovered for four years, the number of potential entrepreneurs queueing up at the doors of one of its largest venture capital business is actually falling in defiance of the Government's quest for an entrepreneurial society and recent urban renewal has so far failed to attract to it any really significant private capital.

"The position here is really no change. In fact we are taking a step back," says Mr Les Boardman, head of the Greater Manchester Economic Development Council. The recent £22m conversion of a former rail station in the heart of Manchester was hungrily latched onto as a new start for the urban centre and it has a stack of bookings. "People, though, are now walking around with long faces because we are struggling to get anybody to invest in the rest of the site."

The comparison in growth of new jobs is brutal, particularly if you pitch greater Pittsburgh against the most job-starved areas of the UK like the north-east.

According to Mellon Bank, non-manufacturing, non-farm jobs rose from 670,000 to 750,000 between 1975 and 1985 and added a further 20,000 in the past year alone.

The north-east of England including the urban areas of Newcastle, Sunderland and Middlesbrough with a population of 1.5m, endures a 20 per cent unemployment rate that seems now to be stuck fast.

In Pittsburgh the talk is of the job opportunities growing off the back of the city's reputation as a big medical centre, the spawning of software businesses boosted by the Federal Government's decision to make Pittsburgh University its software engineering centre and the small businesses spinning off from Carnegie Mellon university.

Mr Tim Parks, executive director of the High Tech Council, a regional association bringing together small high-tech businesses and those agencies that want to help them, says that in south-west Pennsylvania —an area similar in size to the south of England but with only 3m people—600 "technology intensive" companies are up and running. Dr Richard Cyert, president of Carnegie Mellon, points to a Venture Capital Fair this year at which two-thirds of the 75 companies seeking cash were spin-offs from his university. The number of venture capital firms in the area has risen from four to 11 in the past five years.

"We've shed a lot of tears but we are really beginning to see the light at the end of the tunnel," says Mr Tom Foerster, chairman of the board of commissioners for Allegheny County." Within five years we will be at or below the national unemployment average."

Pittsburgh, however, does not have it all its own way in comparison with Britain's older manufacturing areas. The Monongahela Valley where most of the steel mills nestle like rusting hulks along the river bank, is a long strip of broken up communities stretching from the edge of Pittsburgh city through the townships of Homestead and Duquesne to McKeesport. Braddock, in particular, is a sad and dislocated community, the neo-Gothic Mellon Bank building standing out almost as an obscenity in a settlement that looks to be physically decomposing.

"The fall-out effect on these communities has been just devastating," says Mr Leon Lynch, international vice president for human affairs at the United Steelworkers of America which complains bitterly about the spread of part-time jobs with no employment benefits. The valley is peppered with the kind of unemployment committees you find in Sheffield's Don Valley and middle aged steelworkers find it just as difficult in Sheffield's twin "steel city" to get absorbed back into the economy.

The Hill district, a ragged and threatening neighbourhood a stone's throw from the city's deep pile carpeted corporate headquarters buildings, is one of those black American ghettoes with which Handsworth in Birmingham or even Liverpool's District 8 cannot compete for sheer wretchedness.

Some 43 per cent of city school kids recently did so badly in tests that remedial help in Maths and English was recommended. Three cinemas have closed in the rather dreary city centre and cheap discount stores and the not infrequent sight of corroding gas guzzlers testify to the substantial pockets of poverty.

Yet it is impossible to escape the conclusion that Pittsburgh has an economic strategy which at least offers hope, however distant, to its most desperate citizens.

It is the centre of a large development agency region which is not politically controversial in comparison, for example to the 53 small and bickering organisations in the English north-west.

It has its own banks—a phenomenon increasingly common in the US. Even a big regional centre like Manchester —which has only the Co-operative Bank—has been losing its financial independence to London.

And Pittsburgh has a history of sorting things out for itself—the heads of all the big corporations sit on the Allegheny Conference, which led Pittsburgh's change of direction back in the 1940s—whereas the massive expenditure programmes in British cities during the 1950s and 1960s were grafted on from outside by money pumped in from a distant central Government.

That "grafting on" is still happening. Few people would begrudge money spent on Liverpool, a city that has had its confidence and self esteem wrecked by merciless decline. But the £100m so far spent by the Merseyside Development Corporation—a creature of the present Government — while doing wonders for the waterfront is divorced from the workings of the city itself.

This is not to say that there are no examples of community co-operation in the UK—like the ten-year redevelopment in the centre of Glasgow or the way Birmingham has pulled itself together to bid for the Olympics. Yet to create real new jobs and attract large, steady flows of capital from a pool that increasingly swirls around London, seems beyond these cities.

Yorkshire shows more aspects of the problem than perhaps anywhere. Sheffield runs a policy of local authority-led self help—but with no money. Many of the little co-operatives and small businesses remain in the side streets, short of capital, marketing and markets. In Halifax the local authority has been handing over half shares in its small development organisations to the private sector. Yet even at Dean Clough mill, a disused carpet factory that is now packed with tiny firms and held up as a shining example of rejuvenation, a star performer is one that grows from one employee to 20.

Co-operation is easier in US cities partly because of the lack of that political division, some of it rooted in class, which characterises many British urban centres. Pittsburgh is essentially a one-party city.

But surely the deeper root of the problem is financial. Commissioner Foerster says his city's two banks have the power to bend the ears of Federal and state governments, some of whose money is pouring into the new multi-lane highway north of the city and will pour soon into a big airport expansion. Partly this simply reflects a richer national economy.

But the structure of lending at Mellon also indicates how different things are at local level. Pittsburgh's banks are criticised for being to conservative in lending, yet Mellon has seven sub-offices in the backwaters of south-west Pennsylvania whose sole job it is to lend money to small businesses. Of those loans 90 per cent are made with no reference to head office and with applications processed in just three days on average.

It is this briskness of purpose that is so difficult to detect in Britain's northern industrial heartland.

Men and Matters

Luckwell's sporting chance

When you have millions of pounds in your back pocket the world beats a path to your door. Mike Luckwell, aged 44, the former managing director of Carlton Communications has had no less than 128 direct propositions since February when he cashed in his Carlton stake for £25m.

But before he decided which way to jump next, Luckwell, whose first job was as a junior stock exchange dealer before he moved to television, decided to have a holiday.

"I planned to have two months holiday but discovered I liked the experience," says Luckwell, who has travelled extensively for six months in the US, Japan and Thailand.

Now he has decided what to do with at least some of his millions.

He has become deputy chairman of a reconstructed version of West Nally, the international sports marketing organisation. He has taken a substantial stake and will invest between £4m and £10m over a period as required.

Also joining the new West Nally Group as managing director is David Ciclitira, a founder member and deputy managing director of Sky Satellite Television.

The aim is to build on West Nally's existing experience in sports and music sponsorship and turn it into a more broadly-based international media company.

After his holiday Luckwell says he's "keen to go back to work before I get withdrawal symptoms."

Messel's man

There is an impression abroad that most polytechnic lecturers eventually become Labour MPs. Whatever the truth of that, it is certainly rare to find stockbrokers recruiting them.

But Brian Kettell, former senior lecturer in economics at the City of London Polytechnic, yesterday joined brokers L. Messel (now part of the Amex/Shearson Lehman group) as international economist.

Kettell, 40, worked for Citibank in Brussels after graduating from the London School of Economics, but has been a polytechnic lecturer for the past nine years, at the South Bank Poly before the City.

His writing, however, has given him a wider business audience. In the past few years, Kettell has written a couple of books on the foreign exchange market, one on gold, and, with George Magnus, international economist at Laurie, Milbank, a study of international debt. He is now working on a book about the capital markets.

He has also edited a weekly news letter, Currency Confidential, which packaged some shrewd reports under eye-catching headlines such as "Jawboning whipsaws the dollar."

"We've been told to search everybody for possible copies of Jim Prior's memoirs"

Langdon factor

Michael Langdon, aged 38, the newly-appointed chief executive of the factoring business Kellock, is leaving accountants Price Waterhouse after 16 years.

He was made a partner in 1980 and since then has been involved in special investigations and corporate financial advisory work on takeovers, acquisitions, reorganisations, and stock market flotations.

Langdon has contributed to the PW reports on British Airways, the Dunlop reconstruction, and the bringing together of Alan Sugar of Amstrad and Sir Clive Sinclair, before Sinclair sold out to his one-time rival.

On the acquisition scene he has worked on a review of the Harrods group for Mohamed Al-Fayed before the takeover, and inquiries for De La Rue and Trusthouse Forte.

In another part of the City jungle one of his last PW assignments was to look into the future prospects for the London Metal Exchange. After listening to many a tale of woe from that quarter Langdon has put forward a radical scheme for restructuring.

Kellock, which has been born out of the London & Edinburgh Trust taking a stake in the factoring company run by Nick Oppenheim, is to be a quoted business with a capitalisation of between £20m and £30m.

Party pieces

Organisers of company parties in the City of London during the next few months may find themselves under the TV eye. Mary Rose-Richards, a producer of the BBC's Forty Minutes documentary series, is looking for "occasions when staid insurance companies or stockbrokers let their hair down."

Rose-Richards is interested in anything from retirement jolly-ups to parties promoting a product—"we're not looking for cliche situations such as kissograms and strippograms, but something different."

The programme, to be filmed by director Philip Bonham Carter, will look at grown-up parties in the way that it roved over children's parties some time ago.

Break of day

It has been valiant—but the resistance of British executives to the American business breakfast seems to be crumbling.

At least, James Brown, general manager of the Royal Garden Hotel in Kensington, believes the time is ripe to cater specially for a growing number of the breakfast meetings which have long been customary in the US.

For an equally indigestible price of £11, businessmen can now wade through anything from smoked salmon and venison sausages to grilled lobster and black pudding or scrambled eggs and strawberries while doing an early morning deal.

Brown calls it (in capital letters) the Executive English Breakfast—and even provides those eating it with side-tables for their documents and papers.

Moving on

When the White Rhodesians descended in thou... on South Africa after Zimbabwe's independence they were called "Whenwes" after their habit of prefacing every conversation with the nostalgic words, "When we used to live in Rhodesia . . ."

Today they call themselves "Sowetans." Which, as Soweto is a black township in South Africa, seems rather odd.

Not so in this case. It stands for . . . "So Where To Next ?"

Observer

Letters to the Editor

Inadequate debate on Financial Services Bill

From Mr A. Dawson Paul

Sir,—The legislative incompetence being displayed by the Government over the Financial Services Bill should surprise no one. It is entirely consistent with its mishandling of the abolition of the metropolitan authorities, the on/off privatisation of water, the TSB muddle, a series of Finance Acts so lengthy and badly drafted as to be in many respects contradictory or incomprehensible, not to mention Westland or British Leyland. This time, however, it matters.

The invisible earnings generated by the City are becoming increasingly crucial to the survival of this country as we slip steadily down the world economic league. To try to bulldoze through 350 last-minute amendments to the Financial Services Bill with only three days debate in the House of Lords seems to me to be the height of irresponsibility, but symptomatic of the way in which the changes resulting from Big Bang have been allowed to go far beyond anything that was envisaged (publicly at any rate) at the time of the "Goodison/Parkinson deal."

Since the SIB is predictably not going to be ready for Big Bang anyway (another example of governmental incompetence). why not allow sufficient time for an adequate debate of the many issues involved? The present proposals are likely to strangle the efficiency of the City in totally unproductive bureaucracy and red tape while the proposed Investors' Compensation Fund is so ludicrous as to be almost beyond belief.

A. Dawson Paul.
2, Russia Row, EC2

Technology for defence

From the Managing Director, Plessey Avionics

Sir,—The excellent article by David Buchan (September 30) on the high-cost quest for the right answer contained several inaccuracies and mis-statements relating to the Boeing E3 AWACS aircraft currently being offered for the UK airborne early warning requirement that cannot be left unanswered.

The statement that only 10 per cent of Boeing's offset would be directly related to the AWACS is factually correct in that only 10 per cent of the offset will relate to the E3 aircraft and systems delivered to the United Kingdom. Under arrangements between Plessey and Westinghouse, however, Plessey technology will be used for the development of the existing E3 radar to meet the operational requirements perceived for the late 1990s and the early 2000s. Radar is expected to remain a major sensor in the airborne early warning role and Plessey will be at the forefront of radar research/development and production well into the 21st century. The statement that the UK will no longer be involved in AEW technology is therefore incorrect.

The arguments relating to the retention of hi-tech jobs are, of course, very important. Boeing, however, has committed to provide the United Kingdom with an equivalent high technology offset, that is £1 of similar high technology work for every £1 spent on the AWACs contract. The offsets will mainly be for export to the Boeing Company and its associates in the US. They will include a range of electronic systems, high value components, and materials to the full contract value of the AWACs purchase plus the unquantifiable benefits of entry for UK hi-tech products into new export markets. The UK aerospace industry, as typified by such highly capable companies as Plessey, Ferranti and Racal, will thus have better access to the very demanding US market and that of its international customers. The exports gained in this way will be real job producers, unlike the somewhat ethereal promises of export orders that might possibly be earned by a Nimrod system that is already clearly suspect and now some five years late in the development process.

There is another important factor to be considered in the question of jobs. Namely, many of the opportunities offered by Boeing to its UK suppliers are in high unemployment areas—not focused on the south east, where the majority of the GEC Nimrod work is carried out.

The political equation is indeed finely balanced; but no-one is claiming that Nimrod's performance matches E3 and surely defence is the highest priority for Her Majesty's Government.

M. N. Whiteman.
Martin Road,
West Leigh,
Havant, Hants.

Early closing market days

From Mr V. Harrison

Sir, — We are writing to protest at the changes recently introduced by the coffee and gas oil markets which we find very frustrating.

Our trading method requires us to obtain execution prices as near to the closing price of the day as possible. This means that our brokers keep in touch with each futures market near the close of trading and if our price target is touched they then complete our transactions.

Both the London coffee and gas oil markets have however introduced a rule that restricts trading to just one minute on the final call. This rule was apparently introduced to facilitate the floor traders going home on time! If this sort of activity goes on much longer, the floor traders will find they will be able to go home even earlier as they won't have any orders to execute at all, all the business having gone to the American futures market.

To illustrate the damage this new rule can cause, I will quote you just two examples — on August 4, we wished to close-down a short position in October gas oil and the price quoted towards the end of trading for the day was $117 per tonne and despite the fact that many brokers were wishing to trade at this price, the market was closed under the one minute rule and we had to wait until the following day to execute the orders. The next day the price of gas oil had leapt by nearly $30 a tonne and many small fortunes were lost because of this crazy rule. Exactly the same situation occurred on October 1, when our target price was reached just before the end of trading and once again, the market closed when we were endeavouring to execute our substantial orders.

The same situation applies in coffee and if the rule is not changed, I am quite sure that in due course, a similar type of disaster will occur to brokers wishing to trade coffee. I can appreciate that the floor traders do not want to hang around if there is no business available but if there are many brokers wishing to trade, it seems absolutely stupid that a market should arbitrarily close when London commodity markets are crying out that business is falling off and they are trying to think of ways to encourage new business.

We are seriously considering moving our trading to America to ensure we are able to trade at the right time and at the right price.

V. A. Harrison,
Ashley Harrison, & Co.,
94 High Street,
Henley-in-Arden,
Solihull, West Midlands.

Bridge over Treasury waters

From the director, British Road Federation

Sir, — I feel sure that I shall not be alone in attempting answers to some at least of the examination questions set by your admirable and timely leader "Bridge over Treasury waters" (September 30).

The Treasury does not effectively distinguish — as industry does — between current and capital expenditure. In the past current expenditure has been the permanent — and growing — feature of public spending.

In contrast, public capital investment is of finite duration and can provide a valuable national asset. Because of the confusion between capital and current it is also the "easy option" for cutting back when expenditure "overshoots."

One result of this has been an increase in current expenditure and a reduction in non-defence capital investment in real terms. Between 1980-81 and 1984-85 the respective figures were +12 per cent and −9 per cent.

There is a real need to differentiate between current and capital.

Few people would dispute that much of the infrastructure is in need of improvement or repair. It is important therefore to introduce a longer-term economic appraisal and investment programme. Resulting improvements could reduce costs, increase competitiveness and provide direct benefit to industry.

In its report "Challenge and Opportunity" the federation produced a case for a more realistic level of highway investment and called for additional investment of £800m (at 1982 prices) annually for 10 years.

On the question of transport economics, your own answer—doubtless through lack of space — overlooks important considerations.

The case for tolled motorways in Britain was considered—and dismissed — 30 years ago for a number of reasons. One was geographic. The number of access points made collection unprofitable. Where "free" alternatives exist alongside, there will always be a temptation to utilise them. This can readily be seen in France where autoroutes parallel their untolled route nationale. This no doubt is why in Britain tolls have been carefully restricted to estuarial crossings where there is no ready alternative.

Furthermore, the road user in Britain is relatively heavily taxed through vehicle purchase, ownership and use. Of the £12bn-plus which the Treasury receives, less than 30 per cent is spent on highways. The equivalent EEC average is 55 per cent.

A definitive "model" answer to your examination paper needs to be produced.

Peter J. Witt.
6, Portugal St, WC2.

Whose fault is it, anyway?

From Mr Edmund Dell

Sir,—I had not intended to play any part in the discusssion following John Redwood's eulogy September 17) of Mrs Thatcher's Britain. As, however, Mr Redwood claims Terminal 4 at Heathrow as one of the triumps of the Government, and the pros and cons of Terminal 4 are figuring so largely in the subsequent correspondence, may I confess that I, as Secretary of State for Trade, authorised Terminal 4 in February 1978 subject to public inquiry. The Government's contribution, if any, has been nothing more blameworthy than a typically long period of construction.

Edmund Dell.
4 Reynolds Close, NW11.

Extra grants for students

From Professor P. Moore

Sir,—The proposal (September 29) to fund higher education tuition by channelling the money through extra grants to individual students — rather than via the university grants committee as at present—is to be welcomed since it could lead to greater flexibility of choice for students than exists at the moment. It should spur the providers of higher education to re-examine their products and markets.

The further suggestions of employers' sponsorship and loans are, however, more problematical. Although firms receive tax relief on educational expenditure, only a minority in Britain undertake substantive amounts of training for their employees. Relying on employers either to sponsor students, or to pay off their loans on recruitment, would be unlikely to be of much help to most young people seeking higher education unless British firms as a whole change their spots and start investing heavily in education and training, a change that seems unlikely in the current economic climate.

The introduction of repayable student loans on any substantive scale must realistically incorporate some kind of tax concessions on fees (which could be much higher than at present if the burden of grant is to be carried by the student) and interest paid by individual students. This is essential if higher education is to be made accessible to more, rather than fewer, students and is not to be restricted to those from comfortable backgrounds. Such assistance is a feature of educational finance in virtually every other country, including the US, all of whom have larger proportions of young people in higher education than Britain does. Firms do indeed already receive tax relief on fees paid on behalf of participants in higher education; it seems only logical that this privilege should be extended to individuals.

(Professor) P. G. Moore.
London Business School,
Sussex Place, NW1.

Honeywell worldwide venture

From the Director, Corporate Information and Communication, Honeywell Bull

Sir,—With reference to your article "Honeywell seeks worldwide venture" (Sept 25) we were very surprised to read that Bull officials were said to have implicated the French Government in the funding of any hypothetical participation by Bull in Honeywell's information systems business.

No negotiations have begun so that, to say the least, it would be premature to foresee the decisions that may be taken.

André de Marco.
121 Avenue de Malakoff,
75116 Paris.

An exchange rate target to help industry

From the Treasurer, Labour Economic Policy Group.

Sir,—I am glad that Mr Grey (October 2) believes that sound economic management includes full employment among its objectives because commonsense as well as economic theory support my view that full employment cannot be achieved without a huge increase in the *real* money supply and a huge fall in the *real* exchange rate.

I assume that what Mr Grey really means is that the reduction in the real exchange rate should be accomplished through a reduction in the incomes of those who have provided capital for and labour to the industries which make importable and exportable goods. That is a policy which succeeded with the aid of the military between 1815 and 1832 and between 1921 and 1931, on both occasions at enormous cost to the social and economic well-being of this country.

Mr Grey is equally wide of the mark in arguing that exchange rate stability advances the interests of all. It never has done and never will. Sterling was not competitive with the D-Mark a year after the devaluation of 1949 although UK money wages had gone up by less than 2 per cent. Successive British governments nevertheless opted for deflation rather than devaluation and in the process reduced this country from a first to a third-rate economic power.

There were grounds in 1950 for accepting the undervaluation of the D-Mark to hasten the economic recovery of Germany for military as well as for humanitarian reasons, but once the Germans had tasted the benefit of an undervalued exchange rate they flatly refused to behave in the way that Mr Grey suggests we should.

Nothing indeed has changed since the Americans told the Germans that the measures which they had agreed to take would "not solve the fundamental problem of international imbalance on a stable, long-term basis."

Prof Bryan Griffiths, who is now the Prime Minister's economic adviser, has pointed out that the economic recovery of the 1930s was accompanied (if not caused) by an increase in the price of domestically produced traded goods relative to output prices as a whole and indeed in 1932 the Treasury was determined not to allow sterling "to move upwards unless and until world prices have moved upwards quite substantially." The whole thrust of policy was the exact opposite of that which has been pursued since 1976 with such disastrous consequences.

Prof. Griffiths rightly concluded that the first lesson to be drawn from experience in the 1930s is that "recovery can be home-grown and is not necessarily dependent on a prior or simultaneous recovery in the world economy." The lesson from experience since we joined the Common Market is that recovery can only be home-grown.

It is obvious that British industry would lose more than it would gain from membership of the EMS if it is really true that exchange rate instability damages trade. The 57 per cent of our exports which go to third countries would be worse off and the 56 per cent of our imports which come from the EEC would be better off. The result is that imports from the EEC exceed exports by over 50 per cent. The difference of over £12bn a year represents well over 1m jobs. Most of that loss has been to Germany.

I agree with Mr Samuel Brittan (October 2) that what is needed is an exchange rate target to enable industry to play its part in our recovery, but any such target must make economic sense and if Mr Grey really believes that full employment should be included as an objective—which is not, of course, Mr Brittan's view—then he will accept our contention that the target should be fixed in real and not in nominal terms. This in our view means reducing the nominal exchange rate by whatever amount is required to reduce the terms of trade for finished manufactures to the level which prevailed in 1973-74 and late 1976. Mr Grey may believe against all the evidence that this can be achieved by destroying another huge chunk of manufacturing industry, but what he cannot do is deny my original proposition that denying the exchange rate its proper role as a market-clearing mechanism can only impede our return to full employment.

Shaun Stewart.
72 Albert Square, NW1

Flashback to 1983: Mrs Thatcher with the election manifesto

THE CONSERVATIVE Party conference this week is an exercise in renewal. Under the slogan "the next move forward," the leadership will seek to prove that it has not run out of steam. Says an upbeat Mr Douglas Hurd, Home Secretary: "We've got a glint in our eye and we will try and communicate that to our supporters in Bournemouth."

There will be two conferences in the seaside town this week. The official programme will consist of platitudinous motions and carefully co-ordinated ministerial announcements about this winter's legislation together with guarded hints about ideas for the election manifesto.

But, as at the Edinburgh Festival, the fun will be on the fringe. Ministers and ex-ministers will compete with each other to pour out their views on the future. The assiduous can—if they rush from one over-crowded hotel meeting room to another—spend this lunchtime listening to Mr Nicholas Ridley on privatisation and Mr Peter Walker on the "The Task Ahead." Even more inviting, tomorrow there is the delphic Mr John Biffen on "Winning the Third Term."

The two Westland casualties are also pitching in—Mr Leon Brittan talking about Government and industry in the late 1980s and Mr Michael Heseltine seeking to show he is still in the mainstream and not in the Heathite wilderness with "Building on Success."

At stake is the shape of the Conservative programme for a third term. The debate is no longer between wets and drys. The old warhorses of the early 1980s like Messrs Pym and Prior are now mostly heading for retirement.

The post-1983 groupings of consolidators and radicals still exist to some extent. Indeed at the free market end the Selsdon Group and the Institute of Directors are urging wholesale privatisation of the remaining nationalised industries, deregulation of housing, tax relief for private health insurance and full parental choice in education through a transferable credit. And at the other end, the consensus-minded Tory Reform Group argues for consolidation and the slogan of "Britain is safe with the Tories." But the main argument is about the extent of the party's radical commitment.

The Government's own answer is clear. The main accent will be on its future plans. That approach was decided last month by the seven-strong strategy committee — generally known as the "A team" — chaired by the Prime Minister. This supervises the work of about a dozen party policy groups each headed by a Cabinet minister and including some back bench MPs and outside experts. They are looking at broad areas like the economy and foreign affairs as well as issues such as the inner cities, and the world of work (the latter under Lord Young).

The new groups have only just got under way but some participants are sceptical about how much they will achieve.

There is a preference for caution in the public debate, according to Mr Graham Mather, who has run the policy unit at the Institute of Directors and is director designate of the free-market Institute of Economic Affairs. Non-party bodies like those and explicitly Conservative organisations like the Selsdon Group and the No Turning Back group (pro-free market) of Tory MPs have some influence through pamphlets and speeches.

But the access of the outsiders appears to have declined as the days of the iconoclasts have gone. Sir Alfred Sherman, the original motor behind the Centre for Policy Studies, is now very much on the outer fringes and Sir John Hoskyns currently bemoans the failures of Whitehall from the Institute of Directors. Instead, the emphasis is now less adventurous with the low-profile Lord (Hugh) Thomas in charge of the Centre for Policy Studies. One result, Mr Mather notes, is that in some respects the thinking of the SDP on trade union law and social security is now more radical than that of the Tories.

Yet, paradoxically, much of the impetus for change comes from within the Government. Mrs Thatcher's clear frustration with the workings of the educational system and with housing provision has stimulated the internal debate. But experience in office has also led to a reassessment of policy by ministers of all shades of opinion.

For instance, Mr John Patten, Housing Minister, who started out on the traditional Tory "wet" wing, has been in the forefront of the moves towards deregulation—first via shared ownership (part renting/part outright purchase) and then, post-election, by possibly moving towards removing controls on new lettings. Admittedly, some radicals such as the Selsdon Group want to go further and end controls on existing tenancies but the direction of Mr Patten's efforts is towards changes which would have been regarded as politically unthinkable a few years ago.

Similarly, in education, it has been the eminently "wet" Mr Kenneth Baker and his former deputy Mr Chris Patten who have pressed for change in the present structure. In his speech this afternoon, Mr Baker will foreshadow plans for 20 centrally-funded technical schools in the inner cities and outline ideas for by-passing local authorities through specially designated Whitehall grants.

It is no longer a question of defending the present system against free market radicals. Everyone, at least within the Government, agrees on the need for change in housing and education. At issue is the pace. Yet radical ideas on altering the structure are being linked to agreement that more money needs to be spent in specific areas like urban renewal and teachers' pay. This is the key to the emerging new Tory consensus.

In other areas the radicals face a harder task. Mr Hurd has publicly indicated the opposition of a powerful ministerial group to any change in the basic funding of the National Health Service and his caution about ideas for tax relief for private health insurance. Instead, the emphasis is likely to be on better value for money and more resources for politically sensitive areas like hospital waiting lists and cervical cancer screening.

The consolidators have, therefore, not given up all hope. Mr Iain Picton, the chairman of the Tory Reform Group, believes radical ideas are on the wane. He points to the acceptance of the case for more spending in some areas and to the inclusion of social problems such as housing and the inner cities high on the policy agenda.

By Friday afternoon—when the faithful are waving their Union flags and singing "Land of Hope and Glory"—the Conservative leadership will be well pleased if such unpleasant reminders of the outside world as higher interest rates can be avoided and the impression given of a fresh and dynamic team, facing the future.

FINANCIAL TIMES

Tuesday October 7 1986

W. German opposition buoyed by swing in local poll

By David Marsh in Bonn

WEST GERMANY'S opposition Social Democratic Party (SPD) was yesterday drawing comfort from a swing to the left in Sunday's local elections in the northern state of Lower Saxony.

In polling results which will be fed into the complex political calculations over the outcome of the West German general elections in January, the ruling Christian Democrats maintained overall control of local councils across the state but lost their absolute majority won in the last local elections in 1981.

An improved showing for the Social Democrats, who gained 40.5 per cent of the votes against 36.9 per cent in 1981, was accompanied by a swing to the Greens ecological party with 5.4 per cent of the poll against 3.6 per cent five years ago.

The Christian Democrats lost ground to 46.0 per cent (50.2 per cent in 1981) with the party's junior coalition partner in the Bonn Government, the liberal Free Democrats, sliding from 6.4 per cent to 4.9 per cent.

Although clearly of some psychological benefit to the SPD's uphill struggle in the run up to the January elections, Sunday's result in Lower Saxony will give only a modest lift to Mr Johannes Rau, the party's candidate to unseat Mr Helmut Kohl from the chancellorship.

In several local councils throughout the state, the SPD will be able to form a majority only with the aid of the trenchantly anti-nuclear Green party. The course of a possible coalition with the Greens in the Bonn parliament after the January elections has been fiercely foresworn by Mr Rau.

● The first West German nuclear reactor to go on stream since the April 25 Chernobyl disaster is expected to start up today on the Elbe estuary, Reuter reports from Hanover.

Engineers of the 1,300-megawatt Brokdorf reactor could start a nuclear chain-reaction just as soon as the plant was given its final operating seal of approval in the morning, an official said.

The northern state of Schleswig-Holstein postponed the reactor's planned June 13 start-up at short notice and ordered additional safety checks after the Soviet nuclear disaster

French air force favours Awacs warning system

BY DAVID HOUSEGO IN PARIS

THE FRENCH air force has for the first time come out publicly in favour of France purchasing the Boeing E-3 Awacs aircraft as the "only" airborne early warning system suited to its needs.

The air force's declaration would seem to jeopardise any chance of France buying the rival British-built Nimrod equipped with GEC radar. Following the recent visit to London of Mr André Giraud, the French Defence Minister, the two governments are committed to a joint evaluation of the competing early warning systems.

General Bernard Capillon, head of the French air force, said in the current issue of an air force review that "several solutions" had been studied, but that "only one, the American Awacs E-3A, fits our operational needs within a reasonable time span.

Gen Capillon says that the air force would need at least three Awacs to provide low altitude cover in Europe and in operations abroad.

Although the French Government is formally committed to looking at both the American and the British options, officials indicated privately last week that the Boeing aircraft was the clear favourite since it was already developed and operational.

The three aircraft would cost about FFr 10bn ($1.53bn) of which FFr 4.5bn has been earmarked in the 1987 budget or listed as authorised future spending.

The French hope that if both countries should choose the Awacs, they could make a joint purchase which would force down the price. They would also be able to share maintenance costs.

For the French a disadvantage of the GEC airborne early warning system is that they would have to find an aircraft on which to mount it as the Nimrods would go to Britain.

The French purchase of an early warning system has become a defence priority since Mr Giraud took over as Minister of Defence in March. Before that it had seemed that the buying of Awacs had been shelved as too costly.

World demand for steel next year expected to remain flat

BY NICK GARNETT IN RIO DE JANEIRO

WORLDWIDE demand for steel will remain flat throughout next year, with consumption falling in the US, Japan and the EEC and with only a small rise in demand in parts of Latin America and Asia to offset this, according to figures from the International Iron and Steel Institute (IISI) published yesterday.

Mr Lenhard Holschuh, secretary general of the IISI, told the institute's annual conference in Rio de Janeiro that the fall in oil prices and decline in the foreign value of the US dollar had not yet stimulated overall consumption and investment.

As a result the gleam of optimism shown by steelmakers last year had been somewhat dulled, he said. This was particularly so among steel producers in the industrialised West.

Demand in industrialised countries is expected to slip by 2 per cent next year to 315m tonnes, 5 per cent below 1985 levels. Consumption forecasts are most optimistic for Brazil, Argentina, Mexico and Venezuela as well as Korea, Taiwan and India. Demand in developing countries is likely to reach 107m tonnes in 1987, 3 per cent higher than this year.

Steel purchases in Comecon countries and in China this year have been higher than was predicted last year and the institute is forecasting total world demand for 1986 at 721m tonnes, marginally below last year's level of 723m tonnes.

The medium-term outlook, according to the institute, is for demand in industrialised countries to drop from the estimated outturn of 321m tonnes this year to 312m tonnes in 1990 and 308m tonnes by 1995. The latter figures are 5m tonnes lower than projections made by the institute last year.

Developing countries are expected to show a 3 per cent annual growth rate in steel consumption, rising from little over 100m tonnes last year to 137m tonnes in 1995.

The partial shift of production power towards developing countries has now been reflected by the institute, which on Sunday decided to create an extra vice chairman's post which will be reserved solely for a representative of one of the developing nations.

The institute's overall forecasts of flat demand are being made at a time when many steelmakers in industrialised countries are expecting a tougher year than 1985 despite several years of positive restructuring and threatened closures. Some of them see this as the start of a cyclical downturn for steel.

A number of North European producers, particularly those in West Germany, the Netherlands and the British Steel Corporation in the UK, have been making profits for the past one or two years. However, they are all experiencing more difficult conditions this year and some of them are likely to slide into losses again. Low cost imports from countries with no quota arangements with the EEC, particularly Romania, are taking some of the blame.

Japanese steel producers have been hit hard by the value of the yen and their wage rates are now above those of the US. Capacity utilisation in Japan is now only at about two-thirds. The more gloomy projections for steel consumption up to 1995 are partly accounted for by more pessimistic views of Japanese consumption.

Two of the biggest US steel producers, USX and LTV, remain under bankruptcy protection. Mr David Roderick, chairman of USX, who was due to address the conference this week, is not now coming and LTV has sent no officials. The institute is forecasting a reduction in steel demand in the US of 11 per cent this year and another of 4 per cent next year.

Steelmaking capacity will continue to shrink in all major industrialised countries to 442m tonnes in 1990, almost 100m tonnes less than in 1980, the institute forecasts.

Capacity in industrialising countries is predicted to reach 110m tonnes in 1990, 24m tonnes more than last year. This would still mean a net reduction in world capacity to 550m tonnes by 1990.

Itoh, C&W in bid for Japanese telephone contract

By Ian Rodger in Tokyo and Terry Dodsworth in London

C. ITOH, the Japanese trading group, and Cable and Wireless (C&W), the UK-based international telecommunications company, moved a step further yesterday in their plans to collaborate in the provision of a second international telephone service for Japan.

The two companies announced that they were to lead a new consortium, Kokusai Digital Tsushin Kikaku (International Digital Express Planning), to bid for the contract to provide Japan with an additional overseas carrier.

The new consortium will be facing a powerful alternative group, International Telecommunications of Japan (ITS), which is led by a handful of large Japanese corporations with strong backing in some official quarters.

Announcing plans to carry out a detailed feasibility study for the project yesterday, Sir Eric Sharp, chairman of C&W, brushed aside the threat from the rival consortium.

The IDEP/C & W group expected to set up an operating company by the end of the year, he said, would be putting in a licence application within the next few months, and was expecting the licence to be agreed in 1987. "We hope to be in operation next year," he added.

One of the strengths of the new consortium is the large 33 per cent stake held by foreign companies. C & W will have 20 per cent, the same as C. Itoh, while Pacific Telesis, the US West Coast regional telephone operating company will have 10 per cent – the same as Toyota, the Japanese car company – and Merrill Lynch, the New York Securities group, will have 3 per cent.

Despite the cluster of glamorous names in the ITJ group – including Mitsubishi, Mitsui, Sumitomo, Marubeni, Nissho Iwai and Matsushita Electric – some analysts believe that the large foreign presence in the C. Itoh/C & W consortium will give it a competitive edge in the licence negotiations with the Japanese authorities.

At stake in the negotiations is an international communications market currently valued at around $1bn a year under the control of Kokusai, Denshin Denwa, (KDD), the Japanese telephone monopoly.

THE LEX COLUMN

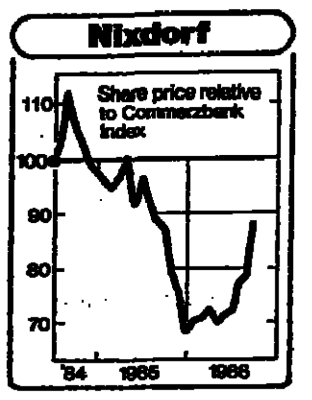
Continuous paper at Nixdorf

To suggest that the 25 per cent rise in Nixdorf's share price since August offered an opportunity for a rights issue too good to be missed is true, but it is only part of the story.

Nixdorf has been growing its turnover at a regular 20 per cent for 10 years. It is no Norsk Data, which can milk its domestic market for cash. In private hands, the strains of growth caused periodic cash-squeezes at Nixdorf which ultimately not even the Deutsche Bank wanted to finance on its own. But since flotation in 1984, and including the one-for-six to raise DM 640m announced on Friday, Nixdorf has picked up no less than DM 2bn through equity issues without surrendering a single enfranchised share.

A p/e multiple of about 29 times this year's earnings, and a cash-flow multiple – for what it is worth – streets ahead of the average speak volumes for the market's confidence in Heinz Nixdorf's successors. But this valuation scarcely addresses the main question facing equity investors who do not regard discounted rights issues simply as cheap shares: is this paper-chase a once-and-for-all adjustment to years of overtrading usual for German private companies or is Nixdorf incapable of financing its own growth?

So far the signs are not greatly encouraging. While the precipitous growth in capital expenditure should slow this year, a good portion of the earlier issue proceeds has vanished into working-capital, which has risen faster than turnover. However, capital gearing is now down to modest levels by German standards and the cash outflow could probably be financed out of borrowings for a year or two. Equally, the voting shareholders of Nixdorf, who have subscribed to the rights issues, can scarcely have bottomless pockets even at a rights issue discount of 25 per cent: a bond issue with warrants would probably suit their cash-flow projections better.



Tokyo

In normal circumstances it would be wrong to read much into stock market movements on small turnover. But the Tokyo Stock Exchange is not a normal place. Since it was weight of money, rather than fundamental arguments, which drove the market up so far, it is entirely logical that dwindling volumes should be accompanied by sharp falls. Yesterday's 1 per cent drop in the Nikkei was the result of turnover of just 280m shares, compared with over 2bn a day in August.

Although the fall in the Tokyo market over the past month has surprised no one, the steadiness of the correction may have confounded the 1929-ers who predicted that so overheated a market would drop precipitously. In fact the 8 per cent drop in the Nikkei average obscures a much more dramatic fall of 17 per cent in the second market. Here there has not been anything like enough liquidity to prevent a bumpy landing.

As always in Japan, conspiracy theories abound. The latest suggests that the financial authorities have told the big traders to calm the market down so that the first tranche of NTT shares encounters a serene market debut this month. Yet the prices which institutions are thought to be offering for NTT stock capitalise it at around £80bn on a multiple of around 70 (or so). The climate is still distinctly humid.

Morgan Grenfell

It must be a touch embarrassing for Morgan Grenfell to see its shares a full pound adrift of the 500p sale price struck in June. A merchant bank ought to be able to organise a decent after-market for its own shares at least. But however violently Morgan racks its brains for reasons to get the price up, answers to the market's "follow that" jibe fail to convince. Nobody cares that interim profits at £51.2m were 50 per cent up and ahead of forecast; profits will clearly be lower than that in the second half. Even if a mega-deal emerged to boost revenue now the downturn would only be deferred six months.

In the first half, corporate finance income was well ahead of the 32 per cent contribution to 1985 profits revealed in the prospectus. Even without the giant bids of the first half – which generate the lucrative underwritings – Morgan is still winning a few £300m or £400m deals to keep that proportion up. In the securities business there is now a large and expensive staff running an under-exploited balance sheet. So Morgan looks more vulnerable than its rivals to the corporate finance downturn and the Big Bang in the short term, even if it comes out as a winner eventually. Use of the £154m raised in June should help full-year profits to £90m or so, against £68.8m in 1985, and a p/e not far enough under 10. All Morgan can do now is regret its greed in setting the tender price, and try not to blush.

The Vatman

To levy Vat on share trades executed by agency brokers but not on those done through firms dealing with their in-house market maker is a pretty illogical distinction.

The best that can be said for it is that since commission rates have been argued down by 25 or 30 per cent, to something like a fifth of a penny in the pound, Vat would be a truly tiny impost. Moreover, a good many institutions are exempt, and so their preference between brokers would be unaffected.

All the same, the Vatman's chiselling can only accentuate the shift towards brokers trading on a net basis as principals, where there is no commission at all, hence nothing on which Vat could be levied.

Integrated houses which were planning to treat their agency and market making functions as entirely unrelated businesses will clearly think again, unless the Vatman does.

Sterling

To keep the sterling index at exactly 68.0 throughout the day was a remarkable effort on somebody's part, considering that the pound sank twice as fast against the D-Mark as it rose, proportionally, against the dollar. Surreptitious sales of the less prominent currencies in the UK trading basket seem sure to have figured somewhere.

UK Tories poised to attack

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE BRITISH Conservative Party's annual conference starts today in a mood of confidence which the leadership intends to use to pave the way for a third general election victory and to toughen its attack on political opponents.

Ministers were last night openly delighted at the evidence of opinion polls at the week-end which showed that the opposition Labour Party's edge over the Conservatives had narrowed. This was in spite of the widely-publicised success of the Party's leader, Mr Neil Kinnock at his Blackpool conference.

The Tories, meeting at Bournemouth on the south coast of England, will use the conference as a platform for ministers to make a series of co-ordinated policy announcements intended to set out the agenda for the remainder of the present parliament. They will also set down the guidelines for the type of radical forward-looking manifesto to which Mrs Margaret Thatcher, Prime Minister is now committed.

Mr Norman Tebbit, the party chairman, last night set the tone in a message to party supporters. He said that the Government had been laying the foundations for the country's economic recovery and that it could now "start the building."

Mr Tebbit acknowledged that the Government had to do more to improve the health service, the education system and to tackle unemployment but that it was not prepared to make statements and promises that "are swept away in the morning."

The Conservatives, he said, refused to build Britain's future on "dishonest money." He said: "Now we will begin to set out what we plan to achieve. There will be specific targets in each area and we will say by when we aim to reach them."

Mr Tebbit gave party agents a pep talk in which he said that Central Office was now in good shape and the priority was to gear up the constituency organisations to ensure they were efficient and effective. He emphasised however, that he had placed the emphasis on preparing for next May's local elections and that he had not put them on an alert for an early general election.

The party chairman was told by some agents that the recent activities of members of the Federation of Conservative Students had harmed the Tory image, a view which he supported. However, party managers feel there is little they can do to curb what they regard as the "lunatic fringe" and hope any further damaging clashes can be avoided as an election nears.

Mr Tebbit said he believed the party was, on the whole, pleased with what the Government was doing and that it would become even clearer as the week progressed that the Opposition parties were in decline and that the Government was "well" on the way to being returned at the next general election.

Any obvious pre-conference jitters within the party appeared to be reserved for the state of sterling. A crisis in the next few days could blow a serious hole in the party's efforts for a trouble-free week, but Mr Tebbit said that the conference itself, with its clear message that there was not going to be any pre-election spending spree would act as a stabilising influence on the money markets.

The conference will today debate a range of issues from privatisation and housing policy to education and social services. Several ministers will provide details of proposals designed to give fresh momentum and a new sense of direction to the Government's parliamentary programme.

● Two men were arrested after police discovered a handgun during a security check at the Tory Party conference hotel yesterday. The firearm was detected by special sensor equipment as one man entered the Highcliffe Hotel in Bournemouth.

A second man was arrested shortly afterwards and both will appear in court today charged with firearms offenses, police said.

The discovery came amid heavy security involving nearly 2,000 police officers

Singapore economy poised for recovery

Continued from Page 1

The rate of decline in construction appears to have slowed, from 29.1 per cent in the first quarter to 17.1 per cent in the second, but the effect is savage. Unemployment rose to 6.5 per cent at the end of June, and these figures mask a large exodus of labour back to neighbouring Malaysia and Indonesia.

The property glut, inspired in part by government miscalculation, will remain for years, depressing construction and putting a drag on the banking sector. This drag is only partly offset by a pump-priming budget that the Government enacted in the spring.

Indeed, even the welcome surprises in the manufacturing sector look extremely tentative. Singapore's refineries, which accounted for 27 per cent of manufacturing output in 1985, are working at near full capacity, but profits are low and, given the volatility of the oil markets, no one is willing to predict that this little boom will continue indefinitely.

The pick-up in ship repair business appears purely temporary, and while long-term strengths of the electronics sector seem well-founded, the industry is extremely dependent on the US market. Electronics exports declined slightly in July, and the industry would be hit hard by any recession in the US.

Another deep concern is the continued slide in the other regional economies – particularly in Malaysia and Indonesia. In the first eight months of the year, bilateral trade with South-east Asia (excluding Indonesia, for which statistics are not published) accounted for 20 per cent of Singapore's total trade.

That trade declined by about 10 per cent in the past year, and Singapore cannot return to sustained robust growth until the depressed economies of its neighbours pick up again. That depends on a revival of commodity prices.

The Singapore Government reacted to the decline by introducing a set of measures including a round of tax cuts and sharp cuts in employers's contributions to mandatory pension schemes, which have reduced the costs of doing business in Singapore. The Government has also put in place a range of incentives to encourage new manufacturing investment.

It is now warning Singaporeans not to use the early signs of recovery to push for wage increases. Instead, it is asking for two years of restraint in order to bring labour costs back to internationally competitive levels and counteract the effects of a much-vaunted "high-wage" policy earlier in the decade.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	25	77	Malta	—	—	—	Rhodes	S	27	81
Algiers	F	24	75	Edinburgh	C	15	59	Manchester	F	18	64	Rio de J'o	C	33	91
Amsterdam	F	17	63	Faro	F	23	73	Manila	R	25	77	Rome	S	28	82
Athens	S	24	75	Florence	—	—	—	Melbourne	C	18	64	Salzburg	S	20	68
Bahrain	S	36	97	Frankfurt	C	16	61	Mexico City	C	21	70	San Francisco	C	29	84
Bangkok	C	32	90	Funchal	C	24	75	Miami	C	30	86	Seoul	S	23	73
Barcelona	S	24	75	Geneva	S	21	70	Milan	S	23	73	Singapore	F	29	84
Beirut	—	—	—	Gibraltar	F	23	73	Montreal	C	9	48	Stockholm	C	7	45
Belfast	F	17	63	Glasgow	C	15	59	Moscow	C	5	41	Strasbourg	C	18	64
Belgrade	S	20	68	Guernsey	S	16	61	Munich	S	22	72	Sydney	C	20	68
Berlin	C	15	59	Helsinki	C	7	45	Nairobi	F	28	82	Taipei	C	27	81
Biarritz	C	19	66	H. Kong	S	28	82	Naples	—	—	—	Tangier	S	28	82
Bombay	S	32	90	Innsbruck	S	22	72	Nassau	S	31	88	Tel Aviv	S	27	81
Bordeaux	S	24	75	Inverness	F	15	59	New Delhi	F	31	88	Tenerife	—	—	—
Brussels	C	17	63	Islamabad	S	33	91	New York	C	21	70	Tokyo	F	23	73
Budapest	S	17	63	Istanbul	F	19	66	Nice	S	24	75	Toronto	C	15	59
B. Aires	C	17	63	Jakarta	R	30	86	Nicosia	S	27	81	Tunis	C	24	75
Cairo	F	28	82	Jersey	—	—	—	Oporto	S	23	73	Valencia	C	21	70
Cape Town	F	16	61	Jo'burg	T	21	70	Oslo	F	12	54	Venice	—	—	—
Caracas	R	27	81	Lima	C	18	64	Paris	C	17	63	Vienna	S	15	59
Casablanca	S	22	72	Lisbon	S	24	75	Peking	R	20	68	Warsaw	S	13	55
Chicago	F	19	66	London	S	20	68	Prague	S	17	63	Washington	S	14	57
Cologne	C	18	64	Los Angeles	C	30	86	Reykjavik	S	5	41	Zurich	S	18	64
Copenhagen	Fg	11	52	Luxembourg	S	14	57								
Corfu	S	27	81	Madrid	F	21	70								
Dallas	R	14	57	Majorca	F	27	81								
Dublin	C	17	63	Malaga	F	25	77								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Delays hit EEC internal market plan

BY TIM DICKSON IN BRUSSELS

THE ambitious plans drawn up by the European Commission, and enthusiastically endorsed by the British Government, to scrap almost 100 internal trade barriers in the EEC in the course of this year, are running seriously behind schedule.

Altogether there are more than 300 separate Commission proposals, which between them represent the Community's well publicised drive towards a genuine internal market by 1992, one of the key aims of the current British presidency.

But with three of its six months in the chair still to run, Britain's chances of getting the timetable back on track look decidedly slim

It is now widely admitted in Brussels that there is no chance of meeting the target of 95 items for decision in 1986 which was drawn up with the previous Dutch presidency. Indeed, with only 30 of these approved since the beginning of the year (10 since Britain took over), the probability of falling well short of that goal is clearly likely.

Mr Alan Clark, Britain's Trade Minister, is expected to tell colleagues at today's meeting of EEC internal market ministers in Luxembourg that they must show greater urgency in seeking agreement on the often complex set of standards and directives. Britain is also setting up a new group of senior officials from national capitals which will be charged with "knocking a few heads together," as one official delicately put it.

One of the major difficulties seen in Brussels is that the Internal Market Council deals with a wide range of issues from industrial standards and frontier formalities to the freedom of financial services, and individual ministers often arrive with an inflexible negotiating mandate, not necessarily provided by their own department. As Trade Minister, for example, Mr Clark today will spend much of his time discussing rules governing pharmaceuticals.

Even the new approach to product standards, which abandons the old idea of harmonising every detail of a product and allows mutual recognition of the standards of other member states, is not always helping.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday October 7 1986

Security Pacific to add to its Europe activities

BY DAVID LASCELLES IN LONDON

SECURITY PACIFIC, the large US west coast banking group, intends expanding its asset-based finance activities in Europe.

Mr William Ford, vice chairman in charge of the Financial Services System, said yesterday that the group was looking for acquisitions to add to its existing European operations, which include the consumer and commercial finance markets.

Last week Security Pacific EuroFinance, the group's London finance subsidiary, bought Anglo Factoring Services, a factoring and receivables concern in Brighton. The group expects to develop a factoring network in France, Germany, Belgium and the Netherlands as well.

Security Pacific has been one of the most active US banks in the asset-based financing business. Last year, the Financial Services System contributed 43 per cent of the group's total net income of $323m.

The EuroFinance arm has assets of about $1bn and is earning a return on assets of about 1 per cent, according to Mr Lynn Fetterly, its president. This is higher than banks usually earn on their conventional lending, and is accounted for by lower loan losses on asset-based lending activities.

He said the main areas of interest were property finance, acquisition financing, factoring and acquisitions of new companies.

The group has also entered the insurance business in Europe. Earlier this year it launched a credit insurance company in the UK and has an insurance broking arm in Germany. Spain might be the next territory for expansion.

Mr Ford said that Security Pacific was now considering starting a venture capital business in Europe. "I think we should have some coverage here," he said.

Norsk Hydro sees profits fall

BY FAY GJESTER IN OSLO

NORSK HYDRO, the Norwegian energy and industrial group which in mid-summer reported a sharp decline in first-half results, yesterday substantially downgraded its profit expectations for 1986 as a whole.

In a short statement in advance of the third-quarter results, Norsk Hydro said its earnings for 1986 would be considerably poorer than the weak profits outcome predicted with the interim figures.

July's half-year report – which showed group profits about 50 per cent lower at NKr 1.32bn ($179m) before tax – had predicted a better balance between costs and prices in the fertiliser division during the second half of 1986. Instead, Norsk Hydro said yesterday, the trend has been negative.

Norsk Hydro said the international fertiliser market had been under "severe pressure" during the third quarter and prices in the major European markets were unsatisfactory.

Results from overseas markets continued to be poor, and lower energy prices "have not yet fully influenced raw material costs for the fertiliser industry."

Apart from weak fertiliser trading, Norsk Hydro's interim results were hit by the devaluation of the krone, soft oil prices and a strike in the Norwegian sector of the North Sea which halted oil and gas sales during April.

Half-year operating profits in the energy division fell from NKr 2.5bn to NKr 1.6bn. Onshore petrochemicals turned a profits of NKr 61m into a loss of NKr 100m for the six months.

Fertilisers accounted for just under half a group turnover in 1985. For the first half of 1986 Norsk Hydro said competition had remained keen with prices falling. Sales had also been hit by the way distributors had run down their stocks.

Looking ahead, the Norsk Hydro interim report drew some comfort from the reduced cost of natural gas and other raw materials.

However, the latest statements from the company – just three weeks in advance of the next set of results – suggest that the group continues to labour under extreme trading difficulties.

Lucky Stores rejects bid by Edelman

By Our New York Staff

LUCKY STORES, the diversified Californian retailer, has rejected the $35 a share takeover offer by Mr Asher B. Edelman, the New York investor.

The board was unanimous in deciding that the offer, which valued the group at about $1.79bn, was inadequate. It has instructed the management to "explore various means of restructuring the company to realise shareholder values in the near term."

Last Thursday the board adjourned its meeting without responding to the offer, saying it was seeking additional information from its management and financial advisers. Mr Edelman made his offer to the group in a letter on September 24.

Western Pacific agrees Danaher takeover bid

BY DAVID BLACKWELL IN NEW YORK

WESTERN PACIFIC Industries, a New York-based producer of counting devices, fasteners and industrial precision components, yesterday abandoned plans for a $155-a-share takeover by a group including its own managers.

Instead it has accepted an offer of $163 a share from Danaher, a Washington-based manufacturing group controlled by brothers Steven and Mitchell Rales. The agreed bid will be made through a tender offer totalling $378m to be launched later this week.

At mid-day yesterday Western Pacific shares were down $3¾ at $162¾ on the New York Stock Exchange, and Danaher $½ up at $11¼.

The day before the buyout plan was announced on September 18, Western shares were trading at $134.25.

Less than two weeks ago Danaher was considering an offer of at least $165 a share, but the group said that the deterioration in some of Western Pacific's product lines had turned out to be greater than expected.

Western Pacific, which has had an erratic earnings record for the past five years, announced the management buyout plan on September 18.

The investment group was led by Gibbons, Green, van Amerongen, a New York-investment banking firm. The group did not include Mr Howard A. Newman, Western Pacific's founder chairman and chief executive and a major stockholder.

Sharp to invest $173m in Brazil

By Ann Charters in São Paulo

SHARP, one of Brazils leading consumer electronics and information technology equipment groups, is to invest $173m in the next four years to expand its market position domestically with new products and facilities and to broaden its micro-electronic component operations.

Sharp S/A Equipamentos Electronicos, the holding company, reported consolidated net earnigs for the fiscal quarter to May 1986 of $49.5, a real increase of 316 per cent over the previous 11 months before Brazils new currency and economic adjustment measures took effect on March 1.

Earnings in the quarter were up in large measure because of an auction of rights to a stock offering and gains realised on stock issue for Sid Informatica, an information technology company within the group and publicly quoted.

The Sharp group, which includes 17 companies, reported sales for the 11 months ended in February of Cr 2.4 trillion (million million) ($189.8m at the end-period exchange rate). Sales for the first quarter this fiscal year were Cr 1.3bn or $100.5m reflecting a strong 30 per cent increase in consumer demand throughout the country.

Mr Daniel Dazcal, director vice president of the consumer electronics division, responsible for 38 per cent of group sales, expects this year's sales to reach $310m – mostly for televisions, video cassette and audio equipment and calculators.

The division plans to invest $53m over 30 months to expand capacity in its Manaus-based facility, Sharp do Brasil, to meet demand in the growing $2bn domestic market. Sharp Corporation of Japan owns 16 per cent of non-voting shares in the Amazon company and is considering increasing its presence in Brazil.

Exports from Manaus are worth only $10m a year at present but Mr Dazcal expects Sharp to enter the US market in the near future.

The division recently acquired an 85 per cent stake in the Brazilian subsidiary of Facit for $8m from Ericsson, the Swedish group. Facit manufactures electric and electronic typewriters, calculators and copying machines in Brazil. Sales this year are expected to be $35m.

Two other divisions for information technology and microelectronics are Sid Informatica and Sid Microeletronica, the latter about to go public. Mr Antonion Carlos Rego Gil, director president of both companies, said the group would invest $80m over the next four years to become the only industrial plant for diffusion for digital integrated circuits in Latin America.

Brother to set up US factory

By Our Financial Staff

BROTHER INDUSTRIES, the largest Japanese manufacturer of sewing machines and typewriters, is to establish a wholly owned subsidiary in the US to produce electronic typewriters.

The move is designed to cope with the impact of the rise in the value of the yen, which has eroded the profit margins on the company's exports to the US.

The new company, Brother Industries (USA), will be based in Bartlett, Tennessee, with production scheduled to start in June 1987.

The plant will be the company's second overseas production base for electronic typewriters, following one in Britain, which went into production in July.

Last year Brother exported about a third of the 1.2m typewriters it produced to the US.

Initial production at the Tennessee plant is set at 150,000 units but might rise to about 300,000 in the future, the company said.

The US company, capitalised at $8m, will employ about 200 people. It plans to acquire about 30 per cent of its parts locally with most major components shipped from Japan.

Brother suffered a 52 per cent fall in profits in the six months to May due in part to exchange losses from the yen's steep rise.

Net profits fell to Y1.96bn ($9.9m) on turnover 11 per cent lower at Y79.1bn.

Agreement will aid production of new generation of personal computers

Intel and IBM sign design pact

Louise Kehoe in San Francisco examines the exchange expected to provide IBM with a partial solution to its problem of competition from makers of PC clones

DETAILS OF A big semiconductor technology exchange agreement between Intel, the silicon valley chip maker and IBM, the world's largest computer manufacturer, were made known yesterday.

The agreement, which was signed early this year as part of a broader business pact, is expected to provide IBM with a partial solution to its problem of competition from makers of personal computer clones.

The technology agreement gives IBM the rights to incorporate Intel's microprocessor and peripheral chip designs into customised chips. IBM is expected to produce its own version of the industry standard micros to build a new generation of personal computers that cannot easily be copied by its competitors.

IBM uses Intel's standard chips to make its personal computers. This has enabled an estimated 250 companies to produce "copycat" personal computers based on the same chips. The so-called clones are currently outselling IBM's own personal computers.

The announcement of the technology agreement cements an already strong relationship between IBM and Intel, a major supplier of chips to IBM. In 1985 purchases represented almost 20 per cent of Intel's sales. IBM is also a large Intel stockholder, holding almost 20 per cent of Intel's shares.

The agreement provides Intel with a big boost into the markets for "semi-custom" chips, one of the fastest growing sectors of the semiconductor business. Worldwide semi-custom chip sales totalled almost $1bn last year and are expected to grow to more than $8bn by 1990, representing about 25 per cent of chip sales.

Under the terms of the agreement, Intel will acquire the rights to IBM "gate array" technology. Gate arrays are semi-custom arrays of logic devices that can be shaped to perform a wide variety of functions according to a system designer's needs. IBM was one of the earliest users of gate arrays and its technology is considered very advanced.

In addition, IBM will provide Intel with a library of pre-design chip "cells." These will be combined with Intel's own chip designs in a semi-custom "macrocell" offering.

For Intel, yesterday's announcement signals the company's long-awaited entry into the semi-custom chip market. Although a leader in standard chips, Intel has lagged behind competitors in answering the semi-custom market. Now it will invest about $100m for new manufacturing facilities, design centres and support for its new product line, said Mr Andrew Grove, Intel president.

Although Intel enters the semi-custom business later than its competitors, the company is the first to offer both gate arrays and macrocell chips. "This unified approach gives systems designers important flexibility," Mr Grove said.

Intel does not expect semi-custom chips to boost its sales significantly over the next two to three years, said Mr Grove. In the longer term, however, the new semi-custom capability will add to Intel's ability to move its investments in new chip designs into adaptable versions providing additional revenues.

Saint Gobain predicts earnings will double

BY DAVID HOUSEGO IN PARIS

SAINT GOBAIN, the French state glass group due to be privatised before the end of the year, expects to double first-half profits.

The group said yesterday it expected to show net consolidated profits of FFr 600m to FFr 650m ($92.3m) for the first six months of the year compared with FFr 325m for the same period of 1985. Turnover rose from FFr 31bn to FFr 37.3bn – although on the basis of a comparable structure the increase is 11 per cent.

The profit improvement is in line with the group's earlier forecasts. Full figures for the first half are to be published in about a week.

The French Government has called in Crédit Commercial de France (CCF), the French commercial bank, and Kleinwort Benson, the British investment bank, to help to evaluate Saint Gobain's worth before it is put on the market in early December.

Mr Jean-Louis Beffa, the group president, said yesterday that the improved results stemmed from the virtual completion of the group's restructuring and the bringing down of its financial charges.

The group's capital and reserves have been recently strengthened by the issue of FFr 2.4bn in *certificats d'investissement* (no-voting stock) and by the sale of the bulk of its stake in Compagnie Générale des Eaux, the French water group, for about FFr 2bn.

Midlantic Banks boosts third quarter to record

BY OUR NEW YORK STAFF

MIDLANTIC Banks, the fast-growing New Jersey-based regional banking group, boosted third-quarter net profits to a record $29.4m, or $1.31 a share, from $25.3m, or $1.16 a share, previously.

This took the nine-month earnings to $82.1m, or $3.69 a share, up from $64.6m, or $3.28 a share. last time.

The results reflect the group's acquisition of Heritage Bancorporation in May last year.

Mr Robert van Buren, chairman and chief executive officer, said: "Midlantic has again achieved record net income and met its planned financial goals. The principal factors which contributed to our improved performance were higher net interest income resulting from increased levels of earning assets and higher fee income."

The growth in earnings assets stemmed from increased loans in both the commercial and consumer sectors of the market. The higher fee income came mainly from increased activity in the mortgage banking subsidiary and other fees relating to services, he said.

The bank's total assets reached a record $11.21bn at the end of September, up from $9.98bn a year ago. Total loans increased from $6.198bn to $7.61bn.

Midlantic Banks has 312 offices located throughout New Jersey, and offices in Florida, New York, Pennsylvania, London, Hong Kong and the Cayman Islands.

INTERNATIONAL COMPANIES and FINANCE

John Elliott reviews Pakistan's switch to Islamic banking 15 months on

No-interest banking boosts profits

FEW COMPLAINTS can be heard among businessmen and bankers in Pakistan's commercial capital of Karachi about the country's system of no-interest Islamic banking which has now been in full operation for nearly 15 months.

When the programme for a compulsory one-year switch-over from traditional western banking was announced in June 1984 as part of the general Islamisation policies of President Zia ul-Haq, it was greeted with a mixture of incredulity and apprehension by both foreign and Pakistani bankers. No other Muslim country had tried a similar change.

Now, when the possible introduction of strict Shariat courts on family law as part of the *wider Islamisation policy is* sparking opposition in the country, bankers in Karachi say that Islamic banking has ironically liberalised some aspects of a previously tightly controlled system and has even helped to boost foreign banks' profits.

The restrictions the bankers *feared on their operations* have not materialised, although paperwork, computerisation and administration has been complicated. Businessmen say they notice little, if any, difference in their dealings with the country's five nationalised and 17 foreign banks, whose combined deposits last year totalled Pakistan Rs 140bn ($8bn).

A lot of political impetus has evaporated since President Zia ul-Haq, who personally pushed the reforms, handed over day-to-day running of the country last January to Mr Mohammed Khan Junejo, the Prime Minister. "No politician in the Government is keen on Islamic banking, though they will all pay lip service and as good *Muslims cannot go against it,"* says one Pakistani banker.

Islamic fundamentalists are far from happy. But for the time being at least there is no sign of any political action on their complaints that the system is a sham, or at best *cosmetic.* They say that neither loans nor deposits involve a bank and its customer in the full sharing of all profits and all *losses as required under* Islamic partnership laws.

When the details of the system were announced, the State Bank of Pakistan published a list of about 12 approved modes of financing which basically provided for *banks to levy either a service* charge based on their administrative costs or a mark-up on the value of goods handled, or alternatively, to enter into profit and loss sharing, which is known as Musharika. Interest — Riba — unrelated to profits and losses was banned.

Mark-up system

In practice the banks have settled down to a system of mark-up, which sceptics say is interest by another name, for almost all lending, and a modified form of profit and loss sharing for deposits. There are two occasionally used modes called Musharika loans and Mudarba funds.

Mark-up involves each bank fixing a rate of return of between 10 and 20 per cent for a loan made for a fixed period. Documents are signed for 20 per cent — or 120 on 100 as it is cautiously described — although the bank is usually aiming to recoup only 114, similar to the earlier interest rate of *around 14 per cent.*

It uses the extra 6 per cent as a buffer should things go wrong because it cannot later do anything that looks like usury and impose extra penal charges or interest on interest. It can go to a special tribunal — *though no bank has done so* yet — to recoup bad debts. On balance, this system has increased the banks' freedom of *manoeuvre in setting charges,* and has also increased profits.

According to Mr M. R. Khan, chairman of the Pakistan Bank*ing Council which has* overseen the change, there have only been about 20 to 25 genuine cases of Musharikas loans, which involves full bank sharing of the profits and losses of the borrower. Most companies do not want to share profits and most banks do not want to risk *sharing losses* in businesses they cannot control. US banks cannot do Musharikas because of US legal restraints.

There have been a *few* examples of Karz-e-Hassna where deserving poor obtain loans at no interest. Banks naturally do not promote such loans and the decline in government interest means there has been no political pressure.

Under the system of profit and loss-sharing for bank borrowing, banks fix an amount which they pay depositors every six months, according to a state bank profit and loss-based formula in which they take their own costs into account So they can adjust what they pay according to their costs and can keep their rates on the low side if expenses are heavy.

Generally the foreign banks have paid over 10 per cent, which is more than the domestic nationalised banks' 7 to 7½ per cent, and have *increased* their profits.

Fall-back guarantee

But the point to which fundamentalists object is a fall-back *guarantee that* the bank will repay a deposit, even if it is making losses.

One significant fund-raising *innovation is* the Mudarba, a form of venture capital-orientated unit trust, in which a promoter runs a fund and attracts financial backers for industrial investment and financial operations. An example is leasing, one of the accepted Islamic modes. A handful of these have been set up *totalling* less than Pakistan Rs100m.

"We have finished up with a Muslim law which means you *can do more, particularly in* merchant banking, than you could before in what was a very strictly controlled banking environment," says a Pakistani banker.

"The system that has evolved is as good as you can expect, given that we can't go back to the days when, with no notion of commercial banking, traders funded caravans going off into the desert and then shared the profits and losses on their return."

Jusco and Uny lift midterm earnings

By Yoko Shibata in Tokyo

JUSCO AND UNY, Japan's fourth and sixth largest supermarket chains, have both reported steady gains in net profits for the half-year to the end of August, helped in part by the strength of the yen and *falling interest rates.*

Jusco's pre-tax profits advanced 14.2 per cent to Y9.56bn ($62m), while net profits grew 11 per cent to Y4.66bn, on sales up by only a marginal 0.9 per cent to Y367.46bn. The sluggishness of sales was attributable to the general weakness of the economy, as well as bad summer weather which depressed sales of summer clothing and other seasonal goods, according to Jusco.

Gross margins none the less improved by 0.5 per cent to 25.4 per cent as a result of lower prices for materials, reduced utility rates and the introduction of point of sales sys*tems which cut inventory costs* and raised the turnover rates of merchandise. Low interest rates, thanks in part to the dearer yen, helped improve the balance on financial items.

Pre-tax profits at Uny rose 5.2 per cent to Y7bn and net profits by 4 per cent to Y3.77bn on sales up 5 per cent to Y209.51bn. Lower interest rates and a relatively low cost of raising capital, thanks to the issue of warrant *bonds* were *cited for* the increase.

Grindrod Unicorn seeks listing

BY JIM JONES IN JOHANNESBURG

GRINDROD Unicorn (Grincor), South Africa's second largest shipping and transport group and one of the country's largest family-controlled companies, is to obtain a stock exchange quotation in Johannesburg with an issue of 5m shares at R2.70 each. The general public is to be offered 2m shares and the remaining 3m will be preferentially placed with directors, employees and business associates.

After the flotation, Grincor will have 25.2m shares in issue of which 24 per cent will be held by the public, 62 per cent by the controlling families and 14 per cent by Southern Life, the life assurance arm of the Anglo American group.

The directors express little concern over the effect of trade sanctions on the operations of Unicorn Group, Grincor's 60 per cent-owned shipping arm, and wholly-owned Grindrod Group the transport and ships' services arm. They say that only a limited portion of the group's international trade revenue is threatened by sanctions.

The individual contributions of the two divisions are not disclosed nor are revenues from international operations, but Unicorn's international operations are to ports in other African countries, Israel, South America and the main islands in the Indian Ocean basin. The company owns 17 ships and currently charters another eight.

In 1985 consolidated turnover was R191.4m ($86.4m), operating profits before tax and interest were R13.9m and pre-tax profits were R11.9m. The directors estimate that this year's turnover will be R245m and that pre-tax profits will increase to R18.7m. They expect to pay an ordinary dividend of 16 cents from earnings of 33.4 cents a share this year.

Grincor has joined the lengthening list of privately-owned companies which have raised capital through the Johannesburg stock exchange (JSE) in the past 12 months or so. During the first half of this year newly-listed companies raised almost R750m through the stock exchange.

Brokers estimate that such companies will raise about R1.5bn through the equity market this year and expect the amount to rise well over R2bn next year. They say that the number of new issues since the start of 1985 is a healthy development, particularly as JSE had had very few new listings in the preceding 15 years. Most of the recent new issues have been heavily over-subscribed.

NZ fibreboard plant comes on stream

BY DAI HAYWARD IN WELLINGTON

A NZ$45m (US$22.7m) medium-density fibreboard plant, a joint venture between Sumitomo Forestry of Japan, the Newmans group and Odlins of NZ has been brought on stream.

Of the 90,000 cubic metre production 36 per cent will be exported to Japan and another 40 per cent to Australia and other Asian countries.

The plant is one of the most technically sophisticated in the world. Export earnings are estimated at NZ$43m a year. The 80,000 square metre plant was constructed in a world record time of only 19 months compered with 23 or 24 months nor*mally required for a plant of* this type. During construction, not a single day was lost through industrial disputes — a remarkable achievement in the current New Zealand industrial forest industry.

Co-inciding with the commissioning of the new plant, was the vote by locked out pulp and paper workers at the giant Kawerau newsprint plant to re*turn to work. The plant* was shutdown by its owners Fletcher Challenge 11 weeks ago following protracted industrial unrest.

Freegold extends exploration

BY KENNETH MARSTON, MINING EDITOR

FURTHER EXPLORATION of ground to the east and south-east of the South African Freddies gold mine of Freegold in the Orange Free State is to be carried out over three years at a cost of R11m ($4.5m). If results warrant it, the ground will be mined by Freegold.

The company to be formed to hold rights over the area will be owned as to: Freegold 57 per cent; Dulker Exploration 25.8 per cent; Anglo American Corporation group 15.6 per cent; Anglovaal and Middlewits 1.6 per cent.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Bonds trade firmer but new issue activity muted

BY OUR EUROMARKETS STAFF

MOST SECTORS of the Eurobond market ended yesterday's trading slightly firmer than last Friday's close, with the Eurodollar sector underpinned by last week's sluggish US economic data, which rekindled hopes that the US authorities would lower interest rates.

However, continuing uncertainty over the direction of the dollar, especially as Opec's meeting on oil production quotas opened in Geneva, kept retail investors on the sidelines, and new issuing activity was muted.

London subsidiaries of Swiss banks were active, however, issuing bonds which should have a strong appeal to European investors.

Swiss Bank Corporation International, as sole manager, launched a $150m four-year bond for its parent, Swiss Bank Corporation. The coupon was set at 7 per cent and issue price at 101½. The manager said that placement was proceeding smoothly, and quoted a bid price of 99¾, within 1⅞ per cent fees.

Meanwhile Union Bank of Switzerland (Securities) launched a $100m five-year bond for Bacob Finance, a subsidiary of the Belgian savings bank. The deal was priced at 101¾ with a 7¾ per cent coupon to provide a yield margin at issue of about 1 percentage point over US Treasury bonds.

Yesterday Bacob's bond was quoted at 99⅞, outside the level of its 1⅞ per cent total fees. But dealers said the issue would find firm placement in European retail hands in due course.

Yamaichi International (Europe) priced a recent equity warrants bond for Ebara, the largest manufacturer of industrial pumps in Japan. The bond's coupon was set at 3¾ per cent, as had been indicated. The

INTERNATIONAL BONDS

warrant exercise price was set at Y697 per share, a 2½ per cent premium over yesterday's closing price in Tokyo. The foreign exchange rate was set at Y155.25 to the dollar.

Daiwa Europe launched a Y10bn high coupon/high issue price deal for Nissan Motor. Such issues are designed to appeal to Japanese investors seeking a high current yield. Nissan's seven-year bond has a coupon of 8½ per cent and issue price of 117⅞.

Trading was relatively stable and quiet in the Eurosterling market after violent price fluctuations last week, with prices unchanged on the day or slightly lower.

Trading in the D-Mark market was also steady, encouraged by the improvement in US Treasury bonds during European trading hours. Prices finished the day about ⅛ point higher.

Prices of Swiss franc bonds improved by around ¼ point as short-term interest rates eased. A SFr 250m 15-year 5¾ per cent bond with equity warrants for Carter Holt Harvey, the diversified New Zealand industrial company, traded for the first time. The deal was quoted at par, the level of its issue price.

Bank Mees & Hope issued a Fl 50m Euro-guilder bond for Lease Plan Holdings, the Dutch leasing company. The five-year 6 per cent bond has an issue price of 99½.

Paribas Asia launched a long-expected $75m five-year floating-rate note (FRN) with warrants for the government-owned Hong Kong Mass Transit Railway. The host FRN, priced at par, pays interest at ⅛ percentage point over six-month London interbank offered rate. Fees total 30 basis points.

The FRN carries warrants exercisable for one year into a "bull" FRN denominated in HK dollars. This five-year note will pay interest at 15.15 per cent less three-month Hong Kong interbank offered rate (Hibor), so that interest payments will rise if Hibor declines.

UMW suffers first-half setback

UMW, THE Singapore car-assembler and heavy equipment concern, suffered a 29.3 per cent higher after-tax loss for the first six months of 27.4m ringgit ($10.4m) reports AP-DJ.

The company pointed out, however, that, although the pre-tax loss widened to 22.4m ringgit from 15.8m ringgit a year ago, it was down from the 46.8m ringgit loss recorded in the second half of 1985.

UMW said turnover fell 30.5 per cent to 346.2m ringgit in the half, which it blamed on continued weakening in the Malaysian economy, particularly in the timber, construction and motor vehicle sectors. The company said that 27 per cent of turnover came from heavy equipment, other equipment and support services, while the remaining 73 per cent came from its Toyota distribution and assembly business.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on October 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	[illegible]	[illegible]	[illegible]	[illegible]	9.15
Atlan. Richfield 10¼ 00	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11 95	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11¼ 00	100	[illegible]	115	[illegible]	[illegible]	[illegible]
BP Capital 9¼ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11¼ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10½ 95	100	[illegible]	112	[illegible]	[illegible]	[illegible]
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 11½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10¼ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME 10¼ 91	100	[illegible]	109	[illegible]	[illegible]	7.55
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 9¼ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7¾ 93	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 8¼ 91	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bank Fin. 8 96	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EDC 8½ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	7.73
EEC 8¼ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	7.92
EEC 8⅝ 91	150	[illegible]	106	[illegible]	[illegible]	[illegible]
EEC 9⅝ 90	350	[illegible]	[illegible]	[illegible]	+1	[illegible]
EIB 10¼ 94	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 12 95	200	[illegible]	124	[illegible]	[illegible]	[illegible]
Eurofima 7¾ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	7.35
Export Dev. Cpn. 10 90	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7½ 93	200	[illegible]	99	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 10½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 11⅞ 90	100	[illegible]	111	[illegible]	+1	[illegible]

D-MARK STRAIGHTS (continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
Soc. Cent. Nucleair 8 91	100	104⅝	105	0	+0⅛	6.81
Stavang 5½ 96	100	91½	92⅛	+0⅛	−0⅛	6.67
World Bank 7 95	600	104	104⅝	+0⅛	−0⅛	6.35
Yorkshire Intl. 6¾ 01	200	95⅞	96⅝	−0⅛	−0¼	6.80
Average price changes on day 0 on week −0⅛						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	day	week	Yield
Avon Cap. Corpn. 5⅝ 94	130	†103¾	103½	+0¼	+1⅛	5.01
Brit. Land Corp. 6½ 99	75	*†105½	105⅝	0	−0⅞	5.92
Chrysler 5¾ 96	160	†102¼	102½	+0½	+0¼	5.42
Council of Europe 6 92	120	†104	104¼	0	0	5.19
Creditanstalt 5½ 94	100	†103	103¼	0	+1	5.02
Deutsche Bk. Fin. 5⅞ 95	100	†105	105¼	0	+0½	4.61
Gen. Occidentale 4½ 94	80	†122½	122¾	+0½	+1⅞	1.54
Glendale F. S. & L. 5½ 95	100	†101	101¼	0	−0½	5.34
Hanesa 5⅛ 98	120	*†98⅞	99⅜	0	0	5.25
Ind. Fund Fin. 5⅞ 94	40	*†103⅝	103¾	0	+0⅝	5.23
N. Zealand Steel 5¾ 96	70	†101¼	101½	0	0	5.57
Oberos. Kftwk. 5⅞ 95	100	*†105¼	105⅝	0	+0½	4.90
Olivetti Intl. 5½ 95	100	*†105¼	105½	0	+1½	4.77
Pepsico 5⅛ 95	150	*†105½	105⅞	0	+0¾	4.50
Phibro-Salomon 5¼ 97	110	†102¾	103	0	+0⅜	4.77
Ralston Purina 5⅞ 94	125	*†102⅞	102⅞	0	−0¼	4.95
Seiter Euro. 0 02	100	*†46½	46¾	0	−0½	5.51
Tokyo Elec. Power 5½ 95	120	*†105¾	105⅞	0	−0¼	4.49
Tokyo Metropolis 5¾ 94	80	†105	105¼	+0½	+0¾	4.78
World Bank 5¾ 94	150	†100½	100¾	−0½	−1	5.04
Average price changes on day 0 on week +0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅝ 91	20	99⅝	100⅛	0	+0¼	5.90
Denmark 6⅛ 96	10	101¼	102⅛	0	0	6.09
Dow Chemical 6⅝ 01	25	96½	97¼	0	−0⅞	6.73
EIB 6⅛ 96	25	101⅝	101⅞	+0⅛	+0⅛	5.89
Province de Quebec 6 98	20	†98	98½	0	−0⅛	6.21
Average price changes on day 0 on week −0⅛						

CONVERTIBLE BONDS (continued)	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Nippon Oil Co. 3 00	3/85	923	211½	213½	−0⅞	−5.04
OKI Elec. Ind. 3½ 99	10/84	865	†132	134	+0½	−1.94
Sanwa Bank 2⅛ 00	10/85	3486	151	152½	+7	6.51
Sekisui House 3 99	6/84	632	†165½	166½	−0⅞	−35.19
Sumitomo Bank 2⅛ 00	8/85	2142	†165½	167	−0½	9.79
Sumitomo Corpn. 2⅞ 99	5/84	593	*†266⅝	268⅝	0	8.54
Taiyo Yuden 3⅛ 00	3/85	1878	†138	140	−2	−2.72
Toshiba Ceramics 3 00	4/85	1734	120	121	−0⅞	8.98
Nippon Oil Co. 2⅛ 92 SFr	3/86	1052	*†139	139	0	3.78
Nippon Shinpan 2 92 SFr	3/86	801	†180	182	+7	28.69
Asics 5 92 DM	12/85	528	133⅝	134⅝	+3⅝	9.65

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Amex launches stock index option

By Roderick Oram in New York

THE AMERICAN Stock Exchange (Amex) has launched a stock index option consisting of the 75 most widely held US shares designed primarily to help institutional investors hedge their portfolios.

Trading of 29,591 contracts last Friday set a first-day volume record for a stock index option, the exchange said.

Amex chooses the most popular shares in value terms from reports on portfolios worth more than $100m which investment managers must file with the Securities and Exchange Commission each quarter. Each stock must be held by at least 200 institutions and have traded a minimum of 7m shares in each of the previous two quarters.

The exchange, which has studied portfolio reports from the first quarter of 1983, expects to replace no more than three shares in the index each quarter as stocks fall in and out of favour with institutional investors. Mathematical recalculations will keep the index value constant at each change in composition.

In a further development, Amex's existing index option, the 20-share Major Market Index, should start trading on the European Options Exchange in Amsterdam within the next few months, Mr Ivers Riley, Amex's senior executive vice president, said.

The options will be fully interchangeable allowing, for example, purchase on the Amsterdam exchange and sale on Amex in New York. Trading on the two exchanges will overlap for an hour each day.

NZ stock market ranked top performer

By Dai Hayward in Wellington

NEW ZEALAND'S stock market has been the best performer in the world over the past decade. Its rate of return to investors was higher than the UK and double that of the US markets for the 10 years to 1985, according to a survey by Jarden and Co, a leading stockbroker.

The average rate of return over the decade for the NZ market was 28.4 per cent. Next best was the UK at 25.1 per cent. The US averaged 14.3 per cent.

The figures average out the return over the 10 years but in 1981 and 1983 New Zealand's market return was the best of any country's.

For 1983 the rate was an enormous 119.4 per cent. Only three other countries, France, the Netherlands and Hong Kong exceeded an average return of more than 20 per cent.

The figures cover both capital growth and dividend reinvestment and were based on local currencies.

Teijin acquires Hercules stake in joint venture

TEIJIN, JAPAN'S biggest polyester producer, has taken over from Hercules of the US the American company's share in Teijin Hercules Chemical Company, a joint venture between the two groups, writes Kyodo in Tokyo.

Teijin Hercules was originally set up in 1963 and was 51 per cent owned by Teijin and 49 per cent owned by Hercules. The joint venture has been producing dimethyl terephthalate (DMT), a material used in the manufacture of polyester, at an annual rate of 270,000 tonnes, all of which was sold to Teijin.

Hercules decided to ask Teijin to dissolve the joint venture in July since it has been moving out of the DMT business and stood to make a large dollar profit on the sale of its stake due to the increased value of the yen.

By purchasing Hercules' stock and making Teijin Hercules a wholly-owned subsidiary, Teijin can make Teijin Hercules' operations more efficient and strengthen its position in the DMT business, the Japanese company claims.

Julius Strauss dies at 75

By Alexander Nicoll

MR JULIUS STRAUSS, for many years a prominent figure in the international capital markets and the man said to have coined the word "Eurobond," has died aged 75.

He had been joint chairman Strauss Turnbull since 1983, and deputy chairman of Societe Generale Strauss Turnbull since 1980. As a leading market maker in Eurobonds, Mr Strauss was behind Strauss Turnbull's becoming a force in this area.

IPMA urged to act on disclosure

BY CLARE PEARSON

THE INTERNATIONAL Primary Markets Association (IPMA), the self-regulatory organisation for the Eurobond primary market, is under increasing pressure to tighten up disclosure requirements for new issues. In the view of many market participants the present requirements leave underwriters and investors exposed to unacceptable risks.

Market participants are pressing for the association to recommend that lead managers give firm indications of underwriting allotments after inviting co-managers into a fixed-price deal sooner than is current market practice.

At the moment lead-managers provide allotment indications after all the co-managers have been invited into an issue and usually guarantee a minimum allotment to each. But they are under no obligation to "go firm" on the total amounts until allotment telexes are sent out, which may be a fortnight after the initial invitation telephone call.

Meanwhile underwriters can find themselves unable to offset the market risk on their commitments, because they have no idea what size they are.

"The present system enables a lead-manager to play with co-managers' money," said one syndication manager.

The IPMA market practices committee, which meets today, is considering wording of a recommendation to increase initial disclosure of allocation amounts, which it will present to the association's board at the end of the month.

One suggestion is that co-managers should be guaranteed at least 50 per cent of their eventual allocation when they are initially invited into a deal, and lead-managers should then only have two days before providing final allocations. Where co-managers are not guaranteed 50 per cent, they should be under no obligation to take more bonds than their initial guaranteed amount.

The market practices committee is also pressing for lead-managers to reveal at launch when a Eurobond is a private placement rather than a public, traceable deal. The problem of uncertainty about this has been highlighted recently as large numbers of specialty deals targeted at specific investors—mostly Japanese—have been launched.

In particular, the committee is concerned to stamp out the practice of "cosmetic syndication," where lead-managers invite co-managers into a deal on the understanding that the co-managers will not retain a significant proportion of their underwriting commitment.

Critics of the practice say it can lead investors into buying bonds which they will be unable to off-load in the market later.

This practice was officially condemned by the IPMA last July, but some market participants believe it is still common. Many houses are suspected of arranging deals on a "nil allotment" basis, but the Japanese securities houses have come under most fire. Japanese syndicate managers, however, deny that deals have been arranged on this basis since the IPMA recommendation in July.

Japan's banks try to enter broking overseas

BY YOKO SHIBATA IN TOKYO

JAPANESE COMMERCIAL banks are putting in a renewed bid for brokerage licences in overseas financial centres. During the course of their efforts they will be in the unusual position of supporting the ambitions of the securities houses to expand their interests in banking.

A meeting of the 12 biggest commercial banks, other than the Bank of Tokyo, decided over the weekend that the banks should be placed on an equal footing with the securities houses, should the securities houses' newly created overseas banking subsidiaries succeed in their efforts to set up branches of their own in Japan.

The issue has been brought to a head by the applications now in train by the big four Japanese securities houses for UK banking licences. Nomura International Finance, a fully-owned subsidiary of Nomura Securities, already has Bank of England permission to start up a banking business next month, while applications by Daiwa, Nikko and Yamaichi are still pending.

For the Japanese banks, the establishment of the securities houses' banking subsidiaries could mean the loss of substantial business in the areas of foreign exchange and securities financing. However, the banks appear to have taken the view that they stand to gain more by supporting the securities houses' prospective banking business in Japan than they would by contesting the development.

The banks have been seeking permission from the Ministry of Finance for their own offshore brokerage subsidiaries to engage in securities business in Japan. They argue that this would:

- Sharpen competition in the Japanese domestic securities business;
- Add to the profitability of the banking industry;
- Help Japanese institutions fight back against the new challenge presented by the European universal banks, handling banking and securities business, which are arriving in the Japanese market.

Late last month the ministry's banking bureau turned down the suggestion that the banks should be allowed to open up brokerage operations in Japan through their offshore securities subsidiaries, describing the prosposal as "too sensational."

Last weekend's meeting appears to have produced a strategy by the banks to circumvent this attitude on the part of the MoF. As a first step, the banks will seek permission for their overseas brokerage subsidiaries to open representative offices in Tokyo.

They will also study closely the US banks' attempts to move towards securities business within the Glass-Steagall Act, on which Article 65 of Japan's own Securities Transaction Law is closely modelled. They will also lobby in support of the granting of Japanese banking licences to the securities houses' offshore banking subsidiaries.

Bank chief warns over financial innovation

BY JOHN WICKS IN LUCERNE

MR PIERRE LANGUETIN, president of the Swiss National Bank, has called for a "period of consolidation" in connection with new capital-market instruments.

Addressing the Swiss Bankers' Day in Lucerne yesterday, he expressed concern at the speed and scope of financial innovation over the past few years.

Referring particularly to "innovations resulting from an excessive spirit of competition rather than from real need," he said nothing was more confusing and disquieting than when financial markets followed what he called every latest fashion.

This was the case when the capital market jumped from one vogue to another—"from dual-currency issues to zero bonds, from there to bull-and-bear bonds and so on."

Mr Languetin warned that "dramatic consequences" could result from faulty risk evaluation. "Even in a competitive world, it is the duty of financial intermediaries to act prudently and protect their clients from what might be unsuspected risks."

The national bank believed that under normal economic conditions its monetary policy could be successful only—if money and financial markets were allowed to find equilibrium freely and spontaneously, he said.

The bank had, therefore, carried out a successive deregulation programme since the late Seventies, especially with regard to foreign borrowing. Today, the only major regulation still in force was that governing the make-up of issue syndicates, which the bank felt should be retained

INTL. COMPANIES and FINANCE

Telefonica seeks to sell stake in cable venture

BY DAVID WHITE IN MADRID

SPAIN'S semi-state Telefonica group said yesterday it was seeking to sell its 49 per cent stake in a joint cable-making venture – Cables de Communicaciones – with General Cable of the US.

The move is part of a new policy at the Spanish telephone monopoly towards its industrial holdings of continuing to participate in new ventures while hiving off interests in well-established companies.

Last month, Telefonica confirmed it was holding talks with L. M. Ericsson of Sweden on pulling out of Intelsa, a company producing telephone exchanges and other equipment, in which the Spanish partner holds 49 per cent.

Both Intelsa and Cables de Communicaciones were set up in 1970 under a policy to create second sources of supply for Telefonica alongside the ITT subsidiary Standard Electrica.

Telefonica also wants to withdraw as a direct minority shareholder in Standard Electrica as part of its plans to participate in the new European telecommunications venture being set up between CGE of France and ITT.

Cables de Communicaciones, which is based in Barcelona with a factory in Saragossa, has annual sales of Pta 6bn ($45m).

● Shares in a public sector energy company based in Majorca are to be offered for sale to private shareholders in what Mr Claudio Aranzadi, chairman of the INI state holding concern, described as a pilot project for the wide-ranging group.

This form of partial privatisation may later be extended to other INI subsidiaries. However, Mr Aranzadi said no further plans had been made.

As a result of the Pta 8.3bn ($62m) operation, the state's participation in Gas Electricidad, held through the Endesa Electricity Company, which in turn is almost entirely owned by INI, is to be reduced from 94 per cent to 56 per cent.

The 38 per cent shareholding is being offered at 225 per cent of its nominal value of Pta 3.7bn with the minimum investment set at Pta 50,000 and the maximum at Pta 50m. The offer remains open until October 30.

Gesa, which supplies electricity and gas in Spain's Balearic Islands, had sales last year of Pta 23.8bn, a payroll of 1,760 and net profits of Pta 952m.

With a 6 per cent private shareholding, it is quoted on the Madrid stock exchange but is due to be quoted on all four Spanish exchanges. Of the 4.3m shares on offer 300,000 are reserved for employees of Endesa.

Delhaize turnover improves by 3.4%

By Our Financial Staff

DELHAIZE, the Belgian retailer, said turnover in Belgium, excluding petrol stations, rose 3.4 per cent to BFr 38.9bn ($942m) in the first eight months of 1986, from BFr 37.8bn in the corresponding 1985 period.

The revenue increase was below forecasts. Revenue from petrol stations was not included because Delhaize last year sold 38 stations to the Benelux subsidiary of Mobil Oil of the US.

Delhaize said operating results matched those of the first eight months of 1985. The company declined to disclose details of its results but gave indications about its activities in the US.

The US holding company, Delhaize the Lion America, completed the sale at the beginning of September of its loss-making subsidiary, Food Giant, to Super Valu Stores, a wholesaler with some retail outlets. As part of the agreement, the Cub Foods division of Food Giant has been spun off into a new company, Super Discount Markets, 80 per cent owned by Delhaize the Lion America and 20 per cent by Super Valu.

Cub Foods operates food stores in Atlanta, Georgia. Two Cubs Foods stores have already been opened and a third will be opened later this month.

Delhaize's other US subsidiary, Food Lion, increased net earnings in the first 36 weeks of 1986 to $42.4m

Hero to buy Unilever fruit products unit

By John Wicks in Zurich

HERO Conserven Lenzburg, the Swiss food processing concern, is to acquire the Dutch company Koninklijke Maatschappij de Betuwe.

De Betuwe, a Unilever subsidiary, is a manufacturer of jam, fruit juices, dessert sauces and other fruit products.

The planned takeover is seen as strengthening the position of Hero's existing Dutch subsidiary and enabling the Swiss group to expand its sales within the European Community. Hero Nederland also produces jams, preserves and fruit drinks.

The transaction will mean that Hero will have a workforce of almost 500 in the Netherlands. De Betuwe employs 140 and Hero Nederland 340 at its Breda operation.

Both the Hero and De Betuwe trademarks will continue to exist on the Dutch market. De Betuwe's sales in Germany and Belgium will still be carried out by Unilever.

Lauritzen predicts loss

BY HILARY BARNES IN COPENHAGEN

LAURITZEN, the Danish shipping, shipbuilding and industrial group, predicts a substantially larger loss this year than the DKr 155m ($7.3m) loss of 1985. The group's first-half statement said earnings were "modest."

The group has suffered from falling activity in offshore business and several of its drilling rigs and production vessels are unemployed. Its three Danish shipyards will also make a loss as a result of slack orders, while the Atlas food processing machinery company is also expected to show an unsatisfactory result.

However, the DFDS shipping company was ahead of the budget in the half year and expects a positive development for the remainder of 1986.

The interim statement said group equity capital would show a decline at the end of the year. Equity at the end of last year was DKr 1.35bn on a total balance-sheet of DKr 9.8bn.

Zinc price hits Vieille

BY QUENTIN PEEL IN BRUSSELS

VIEILLE-MONTAGNE, the Belgian zinc mining and processing company, incurred a loss of BFr 491m ($11.8m) in the first half of the year compared with profits of BFr 265m in the same period of 1985.

The company blamed the sharp fall in the price of zinc and a fall in the value of the dollar.

Turnover in the six months fell from BFr 10.7bn in 1985 to BFr 7.5bn this year.

Vieille-Montagne, controlled by Union Miniere, the mining arm of Société Générale de Belgique, expects a recovery in the second half of the year because of a gradual recovery in the Belgian franc-denominated zinc price. A major restructuring exercise is beginning to reduce production costs.

FINANCIAL TIMES SURVEY

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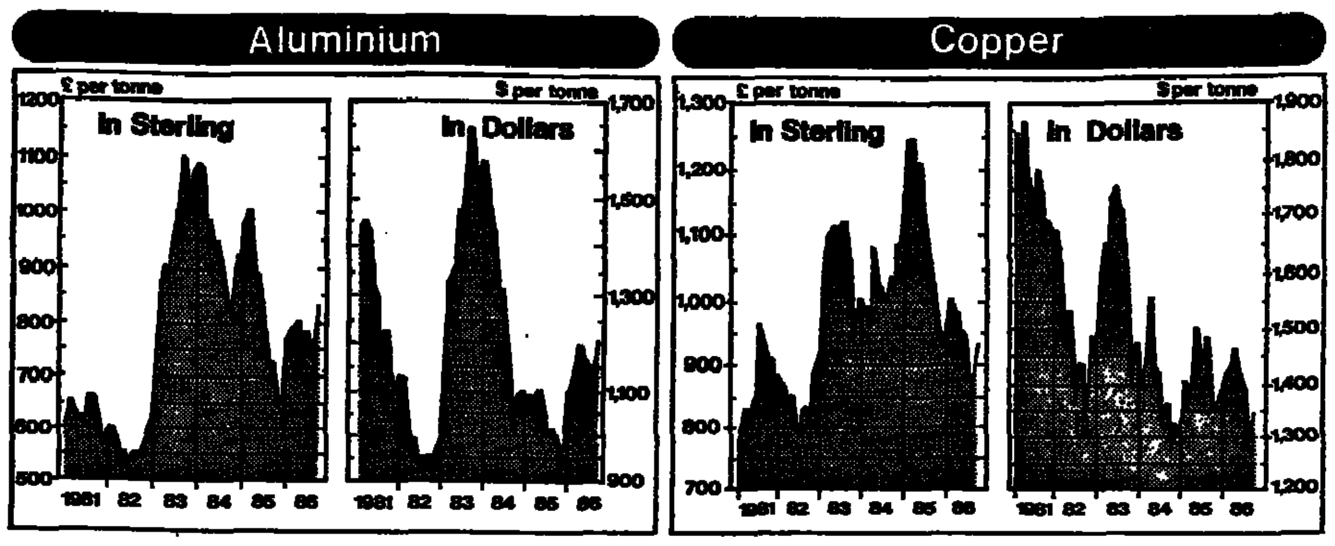
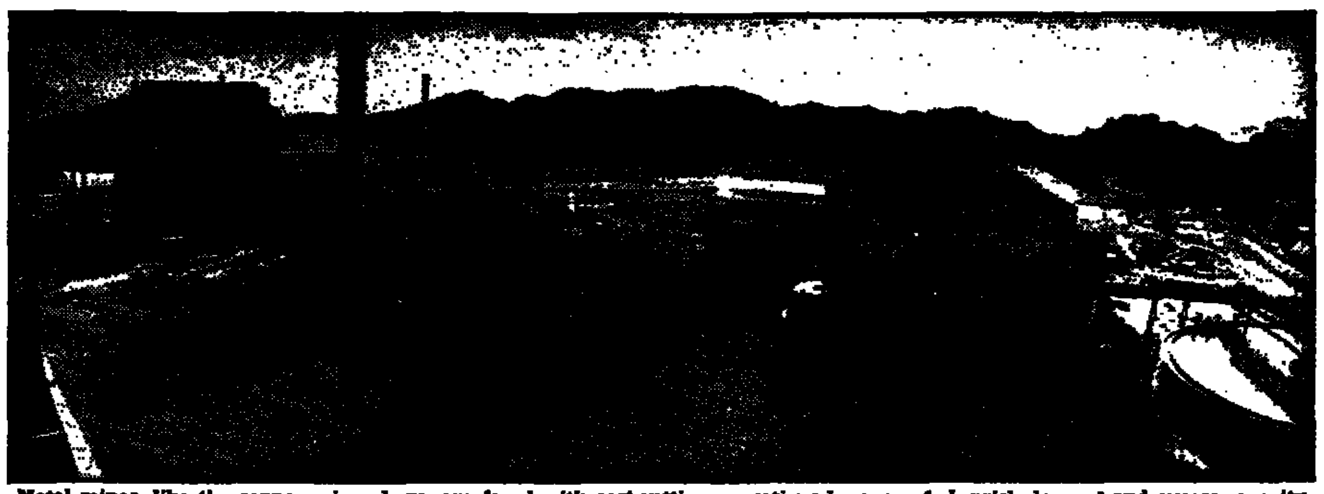
Metals

Recession has squeezed the metals industry hard, forcing producers to cut costs sharply. For the stalwart it is a case of hanging on until prices start to rise again





Metal mines, like the copper mine above, are faced with cost-cutting operations because of sluggish demand and excess capacity

A time for consolidation

BY STEFAN WAGSTYL

NEWMONT MINING, one of the oldest and grandest US copper companies, last month virtually turned its back on the industry.

It announced plans to give up 80 per cent of Magma Copper its Arizona subsidiary, in a free hand-out of shares to its shareholders. Once the jewel in Newmont's crown, Magma had become too great a burden for the group to keep.

The proposal is only the latest sign of the persistence and depth of the recession which has gripped the metals industry since prices tumbled from their all-time peaks in 1980-81.

For many base metals and mining companies and for metal traders, the 1980s has been a decade of depression. The initial belief that the fall in prices was only a temporary reaction to economic recession in industrialised countries in 1981-82 has given way to a widely-held conviction that it could be 1990 if not later before prices recover significantly.

Mr Allen Born, chairman and chief executive of Amax, says: "We have to hang on until things pick up." The US molybdenum company, which was at the forefront of the headlong expansion of the industry in the 1970s, is now one of the leaders in cutting costs and output in order to survive.

To be sure, North American companies operating in a high-wage, high-cost economy have been hit harder by the recession than producers in developing countries. To some extent the cut-backs in the mining industry in industrialised countries have been offset by expansion elsewhere. But that is not the whole story. There is an excess of production capacity over consumption in most metals which affects everybody.

The crisis in the tin market has been only the most dramatic illustration of producers' inability to control prices. The fundamental cause of the International Tin Council's collapse was the overwhelming pressure of too much supply in the tin market feeding too little demand.

Even low-cost producers, who have avoided plunging into loss, are not making the profits in real terms that they did in the 1970s. The question that base metal companies are asking is how long will they have to wait for the market to improve? Or have prices stabilised at a level from which significant long-term movements should not be expected?

There are powerful arguments in favour of seeing the 1970s as an aberration — a decade in which unrealistically high expectations of economic growth, both in industrialised and in developing countries, sent the prices of metals and other commodities shooting ahead. Inflation fuelled the market encouraging metal users and investors to build up stocks in the anticipation of further price increases. The two oil price shocks seemed to reinforce the argument that the world was threatened with shortages of raw materials.

An International Monetary Fund study, published earlier this year, shows that the long-term trend in real commodity prices in US dollar terms is down, albeit slightly. In metals the declines are more marked: from 1960 to 1985 the price of copper in real US dollar terms fell 38 per cent and that of aluminium fell by 25 per cent. Zinc prices rose by just 10 per cent.

In this context, 1980-85 looks like a period when prices have dramatically adjusted themselves to the weakening of the forces which powered the market in the 1970s—a decline in expectations of economic growth and of inflation. Expected shortages of raw materials have simply not materialised.

The decline in dollar prices was aggravated in the early 1980s by the sharp appreciation of the dollar on foreign exchange markets. In terms of other currencies the decline in metals was less rapid but no less persistent.

But there are signs that the worst may be over: that if base metal prices do not increase they should not decline further. Cuts in stockholdings seem to have slowed—for one thing speculative investors have largely abandoned the market, for another industrial companies, anxious to reduce inventories at a time of high real interest rates, have also probably gone as far as they can.

Equally, metals consumption in industrialised countries has steadied and may grow, albeit very modestly. Producers have learnt to live with the face that the growth in metals consumption in industrialised economies will tend to fall short of economic growth for three reasons.

Firstly, advanced economies are growing fastest in sectors like high technology which do not need as much metal as traditional sectors. Secondly, processing improvements mean that metal-consuming industries use less material than in the past—tinplate has got thinner, for example. Finally, other materials have been substituted for metals.

Mr Heinz Schimmelbusch, a director of Metallgesellschaft, says that his company's econometric studies show that all these trends are slowing down — that most of the available savings in metal consumption in industralised economies have already been made.

More importantly, there are prospects of some recovery in demand in developing countries. Producers have learnt to their cost not to bank on spectacular growth in these nations, especially if they have run up large international debts. Their economic progress can be very uncertain.

For example, China which increased imports very sharply in 1985 and accounted for over 5 per cent of western world output in some metals, has this year cut back hard to save foreign exchange. But the economic recovery of Brazil gives ground for some optimism about the Third World market.

However, with modest increases likely in consumption, the crucial question for the metals market concerns supply.

Closures and cuts earlier in the decade included some of the largest mines and smelters, among them Bingham Canyon, near Salt Lake City, the world's biggest copper mine. As a result current production has been brought broadly into line with consumption. Indeed, sometimes almost-forgotten fears of temporary shortages re-emerge. For example, zinc prices have risen strongly this year as a result of labour troubles at the Broken Hill mine, in New South Wales, Australia.

The difficulty lies in judging how much capacity has been closed down permanently and how much might be re-opened if prices recover. Kennecott's Bingham Canyon is in the early stages of a $400m cost-cutting modernisation. British Petroleum, which owns Sohio, Kennecott's parent, recently tightened its grip on its US businesses—it may well take the chance to review the Bingham Canyon scheme.

Shearson Lehman Brothers, the metal brokers, estimated that capacity utilisation in the copper industry was running at 80 per cent in 1985 in western countries.

For aluminium the figure was 83 per cent, for nickel 76 per cent, and for tin 71 per cent. Only in zinc—88 per cent utilisation—was capacity close to being fully stretched, said Shearson.

Moreover, new capacity is steadily being opened up. According to Rio Tinto-Zinc western world copper mine capacity is likely to increase by 698,000 tonnes net by the end of 1989 to 8.96m. And that does not include Escondida, the rich Chilean deposit in which RTZ has a stake and which could come on stream in 1990.

Striking a balance between openings and closures, Metals and Minerals Research Services, a London research company, recently forecast that base metal prices should rise by 20 to 25 per cent in real terms by the end of the decade. Although prices would still be some 25 per cent below their 1980 peak, the increase should make a substantial difference to hard-pressed metals companies, said MMRS.

Other forecasters are less positive. They say that apart from the continuing excess of capacity, the substantial steps producers have taken to cut costs mean that more metal is available at lower prices. The North American companies have led the way—Inco in nickel, for example, and Phelps Dodge in copper—but other producers have followed.

Moreover, as mines smelters and refineries continue to close, however slowly, in high-cost industrialised economies they are being replaced mainly by new operators in low-cost countries.

Thus, there may be no immediate prospect of sustained price increases. But the industry is consolidating in a more flexible and more efficient base than it occupied five years ago. Producers look in a better position to profit in the 1990s than they have done so far in the 1980s.

Mr Norman Fussell, a director of the hard-pressed Australian mining group MIM Holdings, said last month: "Ours is a long-term business. We are not in it for tomorrow, but 10, 20 or 50 years out."

London Metal Exchange

Trading reform debate goes on

Trading floor of the London Metal Exchange

MR JACQUES LION, chairman of the board of the London Metal Exchange, would have dearly loved to give the market's annual gathering of traders and clients this week *details of the future form of his* exchange.

But the truth is that the LME, which is in the throes of its *greatest upheaval in its 109-year* history, cannot say for certain what its market will look like in six months' time. In some areas the broad outlines are visible but in others they are still a matter for intense discussion both in the market and outside it.

The LME is locked in negotiations with the Securities and Investments Board (SIB), the embryonic body established by the Government to oversee City markets.

The difficulty is that LME has been propelled towards change by a number of separate and sometimes conflicting influences.

Most obviously, there are the pressures created by the tin crisis, *after the default of the* International Tin Council last October with debts of £900m to banks and metal brokers. Apart *from the financial* losses, brokers have to cope with a number of court actions which hang over individual companies and the exchange authorities.

There is continuing debate over whether the market can be strengthened by changes to trading rules to prevent such a catastrophe ever occurring again.

The loss of seven members since last summer, leaving the *LME with 21 ring-dealing com*panies, underlines the importance of maintaining a market that is efficient, liquid and profitable. The exchange cannot afford too many more departures.

But even before last October, the profits of exchange members had been under strain because of the continuing depression in *world metal* prices.

The LME had also come under scrutiny from the Bank of England and the Department of Trade and Industry which were orchestrating the Government's plans to reform the regulation of City markets. The tin crisis made it much more difficult for the LME to resist demands that it should replace its unique principal-to-principal trading system, where brokers deal with each other directly, to a system with a clearing house, which would act as intermediary in deals and, according to its supporters, reduce trading risks.

After much heart-searching the LME has agreed in principle to reform trading. It has started talks with International Commodities Clearing House, a bank-owned company which already clears trades on the London Commodity Exchange and several other markets.

However, no contracts can be signed until the LME settles with the SIB what kind of clearing house system it is to have.

The SIB has not said publicly what it wants. But it is understood that it would be happiest with a US-style exchange in which the broker has to treat each client's accounts separately, laying off the risk in full through the clearing house.

The LME is arguing against *this fully-cleared system and* in favour of a system where each ring-dealing broker can offset one client's position against another's, laying off only the net risk through the clearing house.

Mr Michael Brown, LME chief executive, says that the "*segregation of accounts*" is the most important issue dividing the LME and the SIB.

To meet the Government's concern about investor protection, the LME has proposed a compromise under which only trade clients (which account for the bulk of the business) should be allowed to deal directly with LME ring-dealing members. Private investors would have to deal through an intermediary—an independent company or a ring-dealers' subsidiary—which would segregate accounts as the SIB wants.

The SIB's response to this proposal is not yet known. But it could well be wary about treating the LME as a special case among City *commodity* markets.

The negotiations are inevitably delaying the implementation of the clearing system which was originally meant to be introduced in January. Mr Brown says that March is now the probable date.

At the same time, the LME is busy with plans for administrative reform which involve replacing the current co-opted board and elected committee, which share power in an ill-defined way. The exchange has asked its members to comment by the end of October on a highly-critical report by Price Waterhouse, the accountants, which recommends creating a directly-elected supervisory board with executive responsibility and a partly-elected council which would set strategy.

It also urges strengthening the LME's secretariat by appointing a deputy to the chief executive.

LME officials and senior brokers privately expect that *the bulk of Price Waterhouse's* proposals will be implemented.

With the debates about reform ringing in their ears brokers are trying to concentrate on trading metal once again. After a lull in activity in the wake of the tin crisis trade has recovered modestly *since the summer*. Brokers say that September was a particularly active month with the rally in precious metals spilling over into base metals.

The LME hopes that a planned aluminium contract quoted in US dollars will boost business when it is launched next year.

Brokers say they can face the difficulties of trading in depressed markets. But they hate the uncertainty *over* the exchange's rule-book. Mr Brown says: "On the trading side we are doing all right, I think. But on the regulatory side it still looks difficult."

Stefan Wagstyl

Comex

Investors stay away

OFFICIALS AT New York's Comex, by far the largest US base metals terminal market, must be casting envious glances across the World Trade Centre at rival Nymex's crowded oil and platinum trading pits.

While some of the excitement in platinum has rubbed off on Comex's important gold contracts, copper and aluminium volume on the exchange has remained disappointing. With world market prices for both metals still historically low, there is still little indication of any reversal in the investor exodus away from base metals to livelier commodities. Prospects of a sustained upturn *without a corresponding* increase in price and volatility therefore appear remote.

Steadily increasing volume on the exchange's fledgling copper options contract nevertheless provides some grounds for optimism. Meanwhile, exchange officials also believe that plans to raise *the premium for metal* quality on copper futures, as a possible prelude to launching a new high grade contract, will attract more material to exchange warehouses and boost overall confidence in the market commencing January.

Volume in both copper and aluminium futures is down substantially on year ago levels, however. In the January-August period, copper traded 1.38m contracts (down 22 per cent on a year ago), while aluminium trades totalled just 47,361 (down 17 per cent).

"We are hoping that the new premium structure will more adequately reflect the physical market," says Dr Terence Martell, a Comex senior vice president. He estimates that trade hedging now accounts for some 40 per cent of the exchange's copper futures business.

Dr Martell regards the expected build-up in stocks and *liquidity which the premium* changes should engender as vital to any future attempt to introduce a fully-fledged copper high grade contract. Application for approval of such a contract is pending with the commodity futures trading commission (CFTC), the US futures *industry watchdog*.

Comex's cautious approach to upgrading was to a degree vindicated by the ill-starred June launch of a high grade copper futures contract by the Mid-america Commodity Exchange, the lossmaking affiliate of the Chicago Board of Trade, the world's largest futures exchange.

By end-July, aggregate volume had struggled to just 1,387 contracts—of which 786 were traded on the launch date itself. Latterly the contract has been all but traders.

Observers have blamed the contract's palpable failure to catch on, despite its thoughtful and innovative *specification*, on the difficulty of building satisfactory liquidity during a period of unfavourable underlying market *conditions*.

Comex officials meanwhile appear short of ideas on how to transform the exchange's *struggling* aluminium futures contract into a strong competitor for the London Metal Exchange's still ailing but dominant product. No further specification changes are planned, officials state, although they stress that this is not indicative of any *reduced commitment* to aluminium on their part.

The LME's apparent plan to introduce a dollar-demonimated aluminium contract perhaps as soon as March 1987, will Dr Martell believes, result in "a net plus" for Comex due to greater *arbitrage possibilities*. "It would make our lives easier if more producers and consumers started to price contracts *basis Comex*," *he added*.

Just as many soft commodity options contracts in Chicago and elsewhere are gaining *ground despite volume declines* in underlying futures contracts, so copper options turnover on Comex has steadily increased *since the product's* launch on April 7.

August, when 14,543 contracts were traded, was com*fortably the busiest month yet*. Meanwhile, aggregate April-August volume totalled a promising 51,704 with end-August open interest standing at 13,059.

The immediate task now confronting the exchange is to expand options participation beyond the traditionally receptive merchant and trading floor communities to the physical trade at large. While exchange *officals* pronounce themselves generally satisfied with liquidity over the early months, they are equally well aware that the contract's success is still in the balance.

David Owen

Aluminium

Output 'deficit' likely to continue

"I WOULD not have the remotest idea what to tell you." Mr Charles Parry, chairman of the board and chief executive officer at Alcoa, the biggest aluminium company in the US, is disarmingly frank when asked about the likely price of aluminium next year.

The sheer unpredictability of the aluminium business and the continuing relatively low price of the metal despite recent rises on the London Metal Exchange still has parts of the industry scratching its head after several years of removing older and excess production capacity around the world.

Output continues to be below *consumption* but *one of the* key elements in the supply-price equation is that stocks of aluminium have been gradually eaten into. Aluminium producers and fabricators and the people to whom they supply have all become used to managing lower stocks than they would have been prepared to manage some years ago. Primary aluminium stocks are now less than 1.9m tonnes.

Total western world consumption of aluminium last year was estimated at 12.5m tonnes by the Commodity Research Unit, the metal analysts. Production was estimated at 12.24m tonnes.

This year CRU is predicting consumption at 12.7m to 12.8m tonnes *and production* at 12.4m tonnes, maintaining the production "deficit" of the past two years.

Consumption has been rising at 2 to 3 per cent in recent years—a growth rate that has now become a fact of life for an industry used to yearly demand rises of three to four

World production of primary aluminium

(thousand tonnes)

	1971	1981	1985
North America	4,563	5,607	4,781
Latin America (including others)	197	789	1,119
Western Europe	2,304	3,721	3,327
Asia (including others)	1,120	1,331	1,291
Africa	191	483	472
Oceania	246	535	1,091
Non-socialist world total	8,621	12,466	12,081
Socialist countries	2,380	3,232	3,300
World total	11,001	15,698	15,381

Source: WBMS, IPAI, Shearson estimates.

times that back in the 1970s — and no one expects this pattern of growth to change very much. That would put consumption at about 13m tonnes in 1987.

Theoretically there are large amounts of growth potential. Mr Jan Hommen, Alcoa's treasurer, points for example to the 65 lb per head consumption in the US as against 15 lb in Brazil. He also remarks however that the take-up of aluminium in newly industrialised or Third World countries is pitifully slow.

There is widespread agreement *that the cycles between* over and under capacity are tending to get shorter than the characteristic three to four year periods the industry has been used to.

There is less agreement, however, about future requirements for new smelters. Analysts *Anthony Bird Associates* went so far as saying this summer that after 1988 smelting companies were only planning to expand capacity at just 1 per cent a year and this would be inadequate by the mid-1990s. The world would need four more smelters than are being planned at the moment.

Much of the rest of the industry is not so sure, pointing to the unpredictability of price and consumption.

*Two trends will definitely con*tinue however. Older production capacity will continue to be shut down as other capacity, close to cheap energy or bauxite supplies or both is opened up in Australia, South America, Canada and the Middle East.

The rate of closures though will be slower than in the past six years or so during which some 20 smelters have shut, 1m tonnes of capacity has been taken out of the US and the Japanese virtually got out of the basic aluminium business.

The other trend is towards higher value added engineering of aluminium, and diversification. Mr Pat Rich, vice president for the European operations of Alcan Aluminium of Canada *said recently that he would like* to see his operations' dependence on aluminium fall from its present 94 per cent of turnover to no more than three-quarters of sales.

Alcoa worldwide has a target to get its dependence on aluminium down to 50 per cent from its present 85 per cent.

According to the Commodity Research Unit the average LME cash price for last year was *$1,041 and this year is expected* to be about $100 more.

The price rises registered in the first half of this year appeard to have been the result of an improving supply and demand balance and the heavier purchasing in anticipation of strikes among US aluminium producers which duly happened in the summer.

Overall, however, aluminium prices have been disrupted by increasing use *of options* trading on the London Metal Exchange and the Commodities Exchange in New York in which *options* to buy and sell at a quoted price and time, are purchased but with discretion whether to exercise them.

No one is expecting the price to fall next year. Mr John Pither, outgoing president of the UK Aluminium Federation, believes that over 1986 and next year, *the price of aluminium* could be 20 per cent higher than what it was at the beginning of 1986. Others in the industry though predict about 15 per cent.

Mr Doug Ritchie, head of British Alcan in the UK, says the movement is toward pricing on value rather than cost with premiums for high quality aluminium. "If a fabricator wants the best they will really *have to pay for it*," *he says*.

Many analysts are predicting much smaller fluctuations in price than the industry endured in the mid 1970s and early 1980s because there appears to be few large energy-related "shocks" in store.

Nick Garnett

Zinc and Lead

Stoppages give a boost to prices

ON THE FACE of it, the world's lead and zinc producers should be well pleased with market developments during the year so far.

Since April, the benchmark European producer price for zinc has climbed steadily from an abysmal $670 a tonne to a more satisfactory $920. Meanwhile, US prices, at a premium *to Europe for much of the year*, have risen as high as 47 cents a pound from 30 to 35 cents in February. US lead prices have increased from around 17 to 24 cents a pound over a similar period.

On the London Metal Exchange, cash zinc prices are flirting with the £600 a tonne mark for high grade material, having stood a little over £400 in February. Cash lead, meanwhile, looks reasonably firmly underpinned at some £280 a tonne, having briefly broken through the £300 barrier in June.

Cautious producers will not exactly be popping the champagne corks just yet, however. Not only do prices remain at *historically low levels; most of* this year's increases can be traced to short-term supply disruption. Evidence of the type of *demand* improvement or permanent supply cutbacks, which might bolster price levels on a medium- to long-term basis, *remains* scant indeed.

The two stoppages which have undoubtedly done most to boost zinc prices are those at Broken Hill in Australia and Valleyfield, Canada. Neither is yet definitely resolved.

Workers at the Broken Hill lead/zinc mines, owned by Australian Mining and Smelting and North Broken Hill Holdings and responsible for 30 per cent of the country's zinc production, struck for almost two months from May 26.

Currently, miners are back at work, pending a ruling by *the New South Wales Industrial* Commission. However, if the NSWIC's eventual recommendations regarding work practices do not meet with union approval, further industrial action is a distinct possibility after a management-union meeting set for *October* 22. In 1985, Broken Hill produced 201,000 tonnes of zinc concentrates.

Meanwhile, 600 workers at Noranda's huge 200,000 short tons per year Valleyfield smelter in Quebec remain on strike, having initially walked out upon the expiration of their old labour contract at midnight on June 4. (Their action prompted an immediate rise in the EPP *to* $800 a tonne on June 5.) Hopes of an imminent settlement appear to be receding with little indication of a compromise initiative on either side.

Zinc market tightness has been further exacerbated by a series of additional cutbacks and stoppages in Peru, Honduras, Spain, West *Germany*, *France* and the US.

Analysts, such as Mr Stephen Briggs, of Shearson Lehman, have consistently widened their 1986 supply demand deficit forecasts during the course of the year. Mr Briggs is now expecting the deficit to total 140,000 tonnes.

Certainly, first half Western world mine output dropped sharply to 2.39m tonnes, from 2.61m a year earlier, according to International Lead and Zinc Study Group figures. Although the same organisation shows refined output still marginally out-stripping consumption at 2.45m tonnes, stocks are nevertheless falling markedly.

End July Zinc stocks in the western world stood at 325,000 tonnes according to the European Zinc Institute down over 37 per cent from a year earlier.

Inevitably, since the metals are frequently derived from the same orebodies supply side-disruptions have similarly revived lead's ailing fortunes, as the year has progressed.

Once again, the Broken Hill situation has been the major factor. As a result of the strike there, production has been severely reduced at Australia's only primary lead smelter, the big 250,000 tonnes per year capacity Port Pirie facility. Latest estimates suggest that *1986 output* at the plant will total no more than 157,000 tonnes, compared with 200,000 last year and a 216,000-tonne five-year average.

US lead production is also running well below year-earlier levels at 293,500 short tons in the January-August period, 92,000 short tons below the corresponding 1985 figure. This is partly due to the temporary end-May shutdown of the 140,000 *short tons per* year Buick plant now owned 100 per cent by San Francisco-based Homestake Mining.

The *demise of the domestic* secondary lead sector, now down to 24 operating plants from 40 a few years ago, has also been a factor.

Overall, first half western world lead mine output was down 104,000 tonnes from corresponding 1985 levels at 1.15m, according to ILZSG. Refined production also fell by 50,000 tonnes to 1.95m.

Although stocks dropped only marginally to 268,000 tonnes, US inventories are at their lowest level since March, 1985. This raises the distinct possibility of a further US-led bull phase for lead in the run-up to the year end, particularly with US battery inventories reported at their lowest levels *for four* years.

A more abiding shot in the arm may be afforded, however, by the effects of the concentration of US primary capacity into fewer and fewer hands. After the withdrawal of Amax from the lead factor with the *sale of its half* share in Buick to partner Homestake earlier this year, a possible merger between Homestake's and St Joe's Missouri lead operations is now under review.

This would leave only Homestake-St Joe and Asarco in the US primary lead sector.

David Owen

Copper

Torpor in the marketplace

THE WORLD'S copper producers are gritting their teeth and preparing for a long period of depressed prices, which only the fittest will survive.

In the past year or so, forecast after optimistic forecast for increasing demand, which might eventually lead to something resembling a significant price recovery, has had to be scaled down back or put off. The traditional cycle of price booms and slumps appears to have been distorted almost beyond recognition as the slumps get longer and the "booms" more hesitant.

A metal which is normally acutely sensitive to oscillations in the business cycle, because of its importance to industries like electronics, construction and transport, has largely failed to react to the steady economic expansion in industrialised countries since 1983.

Even the production shortfalls of 1984 and 1985 have done nothing to lift the mood, since industry has learned to live with unusually low levels of stocks. Instead, the pressure has been unremittingly downward as mining companies have slashed costs in order to stay in business.

Many analysts and experts believe the going is not going to get any easier until well into the 1990s: preparations are under way for the exploitation of huge new copper deposits in Chile and elsewhere which will swell world supplies at ever lower costs.

Although prices have been sluggish for some time, the full extent of the gloom has paradoxically only emerged in the past 18 months or so. Conventional wisdom argued during the early 1980s that the low level of dollar prices was partly a reflection on the abnormal strength of the dollar; when the dollar fell, prices would rebound. The dollar was toppled of its perch early last year and still prices have stayed in the doldrums.

As far as the supply-demand equation is concerned, there were tentative hopes for an improvement in 1984, when—after several years of chronic overcapacity in the industry—consumption actually exceeded production by a considerable margin and world stocks were reduced by nearly 30 per cent.

Production of refined copper in Japan dropped sharply as concentrates were redirected to new smelters in developing countries. Consumption rose particularly strongly in the US, as economic recovery was felt in the construction industry and in sales of cars and electrical equipment.

But that, too, turned out to be a false dawn. World copper consumption weakened in 1985, as economic growth slackened off in the US and Japan. Last year, according to the International Monetary Fund, copper prices averaged 65.6 cents per pound, a rise of only 3 per cent from their level in 1984 and only two thirds of that recorded in 1980 in nominal terms.

The fact is that the strength of the US currency for most of the early 1980s had multiple distorting effects on the copper market, as in other metals: it encouraged producers other than in America to expand and consumers either to reduce the amount of metal they used or find alternative materials.

It thus spurred on the rise of low-cost producers like Chile, which overtook the US as the world's largest copper mining country in 1982, and encouraged substitution by other metals like aluminium in vehicle radiators and synthetic materials such as optical fibres in the telecommunications business.

Although these developments may have run their course for the moment, there is not much scope for going back on them either for producers or consumers.

Indeed, the pressure on mining companies to stay cost-competitive is as strong as ever—as demonstrated this summer by labour settlements in the US copper industry. Swiftly, and with only subdued grumbles, the labour unions agreed to swingeing wage reductions.

The reaction in the market, which had been buoyed up for much of the year by expectations of a wave of strikes in America, was all too predictable: prices plunged below 60 cents a pound for a while (close to four-year lows in sterling terms), although they have since recovered some of their poise.

More significant for the long-term future are the counter-cyclical investment plans of mining giants like Broken Hill Pty and Rio Tinto-Zinc. Undeterred by current prices, for example, Chile is expanding production at most of its facilities, lowering its unit costs.

For the 1990s, new seams are to be tapped, such as La Escondida — believed to be the world's largest and richest unexploited copper deposit. What is more, a relatively tight ceiling is being kept on the market by the prospect of heavy hedge-selling by producers and by the large amounts of mothballed excess capacity that could come back on stream if there were a sustained recovery in prices.

For the foreseeable future, therefore, with demand jogging along at an unspectacular pace, only a major disruption of supplies seems likely to have the capacity to raise the market from its torpor.

Andrew Gowers

Tin

Traumatic transition

IN THE final months before the tin crisis erupted last year Mr Pieter de Koning warned the International Tin Council that if it stopped supporting the market tin prices could fall below £4,000 a tonne.

With tin above £8,500 a tonne, many delegates thought the buffer stock manager must be bluffing in an attempt to persuade them to replenish his funds; but Mr de Koning's forecast has proved uncannily accurate — a year after the council ran out of money and defaulted on debts of £900m, tin is trading at just under £3,800 a tonne.

The industry is struggling to adjust to the price collapse in a market awash with the huge stocks built up by the tin council. Production is falling as mines close and miners are put out of work. Governments are choosing to bale out part of the industry to mitigate the economic, social and political consequences of the end of nearly 30 years of price support pacts.

Whatever scepticism Mr de Koning's remarks produced last year few forecasters now doubt that the outlook for tin producers is bleak. Speaking in Malaysia recently, Mr William Hood, research director of the International Monetary Fund said: "The (price) gyrations of the 1980s and the recent sharp drop . . . are creating grave problems. There is no easy way of remedying the situation."

Production was falling even before the market collapsed last year. Western world mine production totalled some 175,000 tonnes, according to the Association of Tin Producing Countries against over 204,000 tonnes in 1981 when the tin council imposed export controls.

In 1986, the failure of the ITC has sent output down by about another 25 per cent to some 130,000 tonnes, according to the ATPC, or well below western world consumption of about 150,000 to 160,000 tonnes a year.

In Bolivia the industry has been devastated with the government faced with strikes in the mines as it tries to cut back manpower. In Brazil the industry's rapid expansion has been checked. China has cut back exports to the West sharply.

In Malaysia, the biggest exporter, output is forecast to fall to 23,000 tonnes this year against 40,000 last year, as the number of operating mines has fallen from 400 to 170.

Government intervention has prevented cuts from going further. In the UK, one Cornish mine has closed but two others have been rescued. In Malaysia, the mines have been granted a 70m ringgit ($26.7m) support scheme to cushion the effect of low prices.

Most significantly, Indonesia says it is raising production by some 20 per cent this year to 27,000 tonnes, with the state-owned tin company Tambang Timah leading the way. After a 45 per cent currency devaluation, the Indonesians say they are making a profit.

However, the over-riding influence on prices is not the balance between current production and consumption but the stocks overhanging the market. The ITC defaulted with about 80,000 tonnes of tin on its hands most of which it promptly passed to its creditors—banks and metal brokers.

In addition, there were about 30,000 tonnes held by producers, mostly in the form of concentrates at mines in South East Asia, which had been prevented from sending the material to smelters by ITC export controls.

Since then controls have been scrapped and the concentrates turned into metal readily available to the market.

Stocks are declining from their 110,000 tonne peak at an annual rate of between 20,000 and 40,000 tonnes a year.

Many market analysts believe that this meant that prices cannot move very much until the stocks fall. Mr Peter Kettle, of the Commodity Research Unit, says: "Prices have moved in a narrow range since April . . . they may stay that way for a while. The big question is when the remaining big stockholders decide they want to get out."

It seems that most of the banks holding metal are not in any hurry to sell at a loss. The break-even point on their stocks is in the region of £4,200 a tonne. Sudden large-scale disposals could send prices back down towards £3,500 a tonne.

However, it is possible that if these ITC creditors sell others might jump into the market in the hope of making money when prices recover. A quick-witted trader or two could try to squeeze the market.

After all, it would not be the first attempt to corner the market — Dr Mahathir Mohamad, the Malaysian Prime Minister, recently admitted that his country had been behind a mystery tin buying operation on the London Metal Exchange in 1982.

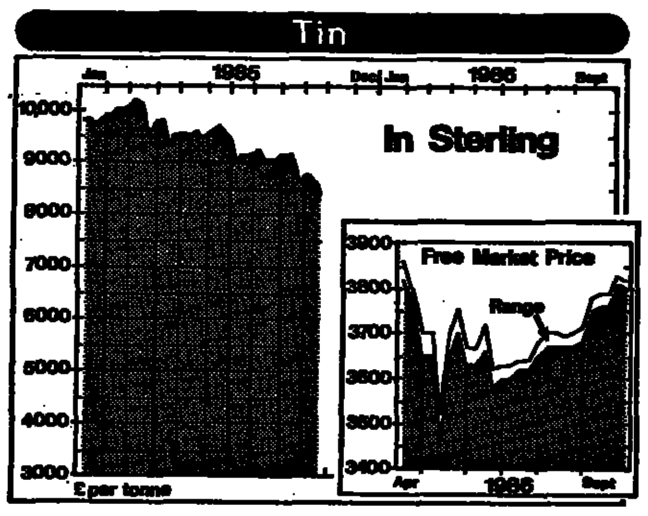
But any such squeeze could not be expected to last very long. A sustained price increase would almost certainly bring back into production much of the capacity which has been made idle in the past year.

Moreover, production costs around the world have fallen significantly this year and are set to decline further. Government measures to cut taxes and electricity costs have played their part; so has the drop in oil prices which has cut the costs of a dredger by an estimated 10 per cent; most importantly the end of export controls has allowed low-cost mines to work flat out and cut unit costs. At CRU, Mr Kettle estimates that costs could have fallen by "at least 25 per cent."

Some savings may not last indefinitely—mines cannot forgo capital spending or extract only high-grade material for ever. But the indications that once the stocks in the market are consumed and the industry settles down it will operate more efficiently and at lower costs than it has in the past. The transition could well continue to be traumatic.

Stefan Wagstyl

Tin



Nickel

Weakness continues

THE NICKEL market has stubbornly failed to respond to producers' predictions of supply shortages, rising demand and falling inventories.

"We believe," Mr Charles Baird, chairman of Inco, the non-Communist world's biggest producer, said in New York last July, "that the market for nickel is reasonably tight, that there is relatively little spare capacity readily available and that prices should reflect the level of demand."

But Inco, which supplies about 30 per cent of non-Communist demand, has seen its realised price drop from US$2.37 per lb in the first half of 1985 to US$2 per lb this year. The free market price had sagged to around $1.70 in mid-September from over $2 in the early part of 1986. Inco's finished nickel inventories rose from 76m lbs to 98m lbs between March and July.

A surge in Russian shipments during the second quarter and disappointing US consumption help explain the continuing weakness of the nickel market. One trader suspects that eastern bloc shipments will be closer to 60,000 tons this year than the 30,000 tons initially expected.

Those hoping for stronger prices may also have underestimated a number of structural changes in the nickel market. Stainless steel makers, who buy about half of total nickel output, appear to be raising the proportion of scrap metal used in their production process.

Wastage is being trimmed as steelmakers keep a close eye on productivity, thus resulting in less nickel being used for each ton of steel produced.

The steel industry is also holding down raw material inventories. As one trader observes, "It takes us only a day and a half to deliver to any user in the US. Why should they have five weeks of inventories?"

Inco remains optimistic that prices will improve. While offtake in the US has fallen below expectations lately, the drop in the dollar has pushed nickel prices down to unusually low levels in terms of strong currencies like the D-mark and Japanese yen. Inco maintains that the surge in Russian shipments may be offset by lower Cuban sales and higher purchases by other East European countries.

Optimists also cross fingers that the sudden improvement in gold, platinum, zinc and other metal prices may spill over into the nickel market one of these days.

Falconbridge, the other major Canadian producer, is less certain. A Falconbridge official says that "we tend to be a little more pragmatic. Until we see movement in price, it's hard to get excited about nickel."

One sign of Falconbridge's caution is its request to 2,000 workers at its main operations near Sudbury, northern Ontario, to consider further money-saving measures, including wage cuts and a longer workday.

A major imponderable in the nickel market is the extent to which current prices will drive some producers out of business.

Non-Communist nickel market

Year	Nickel demand (£m)	Nickel supply (£m)	Changes in producer/LME inventories
1980	1,150	1,245	+ 95
1981	1,095	1,165	+ 70
1982	985	965	— 20
1983	1,145	1,100	— 45
1984	1,290	1,185	—105
1985	1,220	1,220	—
1986 (estimate)	1,260	1,240	— 20

Source: Inco.

While the price is now below the cash costs of some producers, about 40 per cent of non-communist capacity is shielded from market disciplines by government support.

Some producers have begun to cut back. Casualties in the past 15 months include Kavardarci in Yugoslavia, the large Philippines producer Nonoc, and Hanna Mining's ferronickel operation in the US state of Oregon. Rumours surfaced in September that a second Yugoslav producer, Kosovo, will halt operations at the end of the year.

Question marks hang over the future of Société Metallurgique Le Nickel (SLN) in New Caledonia and over the Greek producer Larco. Workers at Larco have been asked to accept strict new productivity goals if the operation is to continue.

The two big Canadian producers show no signs of following suit. Inco is widely regarded as the world's lowest-cost producer and has fought aggressively to regain market share after the emergence of producers in Third World and Socialist countries. Like others, the company has benefited from falling energy costs.

While it has suspended production at some high-cost Ontario mines, Inco has brought the Thompson open-pit mine in Manitoba into production and started mining the Creighton deep orebody in Ontario. Operating costs at Thompson are said to be as low as US$1 a pound.

Since touching a low of 25 per cent in 1982, Inco's market share has crept steadily upward and may reach 31 per cent of demand this year. Deliveries during the first half of 1986 were virtually unchanged from a year earlier.

Despite a sharp fall in sales earlier this year, a Falconbridge official says no new production cutbacks are planned.

In the short term, nickel demand will depend heavily on overall economic conditions in the US, Europe and Japan. Producers are also looking ahead by trying to encourage new uses for the metal and for stainless steel.

The Toronto-based Nickel Development Institute, formed in mid-1984 by 14 producers, predicts that its research will generate a 4-5 per cent increase in free world demand by the end of the decade.

Bernard Simon

PROSPECTUS FORECAST BEATEN BUT CITY DISAPPOINTED

Morgan Grenfell rises to £51m

BY DAVID LASCELLES, BANKING CORRESPONDENT

Morgan Grenfell, the UK merchant banking group which obtained a public listing for its shares in June, reported pre-tax profits of £51.1m yesterday for the six months up to June 30—the first time it has published interim results.

This comfortably exceeds the forecast of £48m made in the prospectus, and compares with £34m earned in the same period last year. This is equivalent to 28p per share, up from 17.8p in last year's first half.

However, Morgan's performance continued to disappoint the stock market yesterday. The group's shares, issued at 500p, closed at 400p, down 3p, though up from the day's low of 395p. In the last fortnight the shares have traded as low as 393p.

Commenting on the improved results, Morgan said that they included a high contribution from the corporate finance side, and a good performance overall from other activities. The banking and capital markets divisions did better than expected, and investment management operations were ahead of budget. Overseas subsidiaries also did well.

The board said it continued to have confidence in the outcome of the year as a whole and declared an interim dividend of 3.5p.

With the Big Bang only three weeks away, Morgan said "considerable progress" had been made in developing its integrated securities business. Morgan Grenfell Securities became a member of the Stock Exchange in March, and research teams covering the major sectors of the equity market are now in place together with an experienced sales team.

Along with its public listing, Morgan raised £154m in new equity capital in June, and $200m of new primary capital in August. The group's total capital resources now exceed £590m. Of the new funds raised, the debt capital has been put into the banking business. The equity capital is earmarked for the securities side, and about £40m has so far been invested in it.

The balance sheet shows that by far the fastest-growing component is the securities business where the figures increased nearly tenfold, mainly because of the consolidation of Pinchin Denny, the jobbing firm, and Pember & Boyle, the stockbrokers acquired in April. Securities trading balances on the assets side rose from £128m at the end of last year to £1.1bn at mid-year. On the liability side they rose from £88.5m to £958m.

Unlike some other investment banking groups, Morgan has decided to report its trading balances in full rather than as a net position.

Halstead up 28% to £4m record

James Halstead Group made further progress in the year to end of June 1986 with impovements in both the flooring and leisure divisions contributing to record pre-tax profits.

On turnover up by 7 per cent from £35.19m to £37.72m, pre-tax profits rose to £3.93m, against £3.08m, an increase of 28 per cent. Earnings per 10p share came out at 17.3p (12.94p) and the directors are proposing a final dividend of 3p (2.5p) making a total of 5p (4p).

Mr Vincent Clare, chairman, said it was intended to continue concentrating on mainline businesses and expansion plans involving significant capital investment were being formulated.

The flooring company reported another strong performance and despite difficult trading conditions had produced a record result, he added. The competitive market limited volume growth but improvements in production and increased marketing helped profits.

Leisure products' trading profits improved from £352,000 to £581,000 with better performances from both Belstaffs, international leisure clothing manufacturer, and Conway Leisure Products, maker of trailer tents and folding campers.

Belstaff benefited from better production and more marketing and made further penetration into the specialist countrywear and golf wear markets. Conway increased its share of the trailer tent market despite there being no overall growth.

The pre-tax figure was struck after group costs of £180,000 (£261,000) and employee profit share costs of £205,000 (£162,000) and included share of associate of £26,000 (£6,400). The tax charge was £1.46m (£1.24m), and last time there were extraordinary debits of £33,000 to leave attributable profit of £2.47m, against £1.8m last time. Dividends absorbed £0.72m (£0.57m).

● comment

Halstead's figures are flattered by the absence of a £176,000 loss on discontinued businesses and helped by a £238,000 fall in interest charges as debt was cleared. Even so, underlying profits growth—around 13 per cent—was achieved without any price improvement on flooring products or a drop in raw material costs. That suggests genuine efficiency gains and—although already holding over 50 per cent of the contract market in vinyl flooring—increased market share. Despite a flat market in floors generally, Halstead is looking for more of the same this year: budgeted capital spending tops £1m and much will go on new products with enhanced safety benefits. The smaller leisure side also saw improved efficiency. Sales here were just 8.3 per cent higher, but Halstead is slowly adding such products as ski wear to its clothing range, increasing the gross margin, albeit at the risk of entering the fashion market. Shareholders who rejected the British Syphon bid, worth 100p in 1984, will be cheered to see the price up 3p to 168p yesterday. But with perhaps £4.5m in sight this year, the prospective p/e, on a 35 per cent tax charge, is a conservative looking 8 times earnings.

Close Brothers plans expansion

BY NIGEL CLARK

Close Brothers Group, the holding company with interests in investment operations and merchant banking services, reported an increase in return on shareholders funds from 24.5 per cent to 27.4 per cent in the year to end July 1986.

Mr Rod Kent, managing director, said it was a year of outstanding progress and that the company was "no less ambitious for the future."

Pre-tax profit increased by 16 per cent to a record £2.51m (£2.17m), including £1.47m (£1.05m) from merchant banking and £1.04m (£1.12m) from net investment income. With capital gains, realised and unrealised, of £4.79m (£3.63m) the total results came out at £7.3m, against £5.8m last time.

At the end of the year shareholders funds were up at £30.6m, of which about £8m was said to be available for acquisitions. The company said it was about to announce a further purchase for between £3m and £4m. It could not give details but said that it was a niche lending company.

Earnings per share came out at 12.4p (10.52p) and the directors are recommending a final payment of 5.2p (4.75p) to make 8p (7.375p) total.

The tax charge was £883,000 (£794,000), and after minorities of £22,000 (£15,000) and dividends absorbing £1.04m (£0.95m), the retained profit was £569,000 against £407,000.

Mr Kent said that during the year a new unquoted investment fund of £12.5m was set up with contributions from ten blue chip institutions. Another highlight was the acquisition of Brown Shipley Factors by the Century Factors subsidiary, which doubled in size as a result.

Percy Bilton ahead to £5.4m

Percy Bilton, a London property investment and development company, yesterday reported pre-tax profits up from £5.18m to to £5.4m for the six months to June 30 1986. The interim dividend is increased from 4p to 4.2p net, and stated earnings per 25p share were higher at 10.5p against 9p.

The directors said the group had greatly increased its development programme over the past six months in response to known demand for new property in the South-east. Trading divisions had made a satisfactory contribution to the six months figures.

Turnover, excluding inter-company transactions, was down from £13.5m to £11.68m in the opening a half. Property and investment activities contributed £7.36m (£5.33m) and the share from construction—including housing—was £739,000 against £1.87m.

Administration expenses were up from £605,000 to £644,000, and interest charges were £2.04m compared with £1.42m. Tax was lower at £1.18m (£1.68m).

Stothert's losses rise to £491,000

PRE-TAX losses at Stothert & Pitt, engineer, increased from £312,000 to £491,000 in the six months to June 30 1986, but were lower than the £1.42m reported in the six months to December 31 1985. The group's next set of figures will be for a 15-month period to September 301986.

The directors said that the primary cause for the decline of the company during the last few years had been the shortage of working capital as evidenced by the high level of borrowings and interest payments.

Interest payable was £348,000 (£393,000) in the six months under review. Even allowing for the disposal of land, borrowings were too high and the company was discussing with its financial advisers the possibility of a capital-raising exercise in the near future.

Restructuring had continued, and as part of that programme the company was reorganising facilities to suit separate product groups. That had enabled it to sell part of the under-used Victoria works in Bath.

As forecast, an improved trading performance was achieved during the second six months, but there was an operating loss of £143,000 (£81,000 profit) on turnover down from £17.82m to £15.66m.

The unexpected reduction in offshore oil development following the oil price fall affected the company's order position and necessitated a redundancy exercise in May. Those redundancies were the major part of the £486,000 extraordinary debits incurred.

Michael Peters begins pick-up

SECOND HALF profits of £468,000 were achieved by the Michael Peters Group marketing services consultancy, reflecting the start of a return to traditional levels of profitability.

The directors are holding the final dividend at 1.6p for an unchanged total of 2.6p net in respect of the year ended June 30 1986.

Following the reduction in the first half, the year's profit showed a cut of 24 per cent, from £885,000 to £675,000, although turnover rose by 44 per cent, from £6.21m to £8.95m.

Mr Michael Peters, chairman, explained that the year was transitional. The drop in profit reflected the cost of investments in new business areas, the seasonality of the exhibition industry, and the higher level of fixed accommodation and support costs following the move to new premises.

Also, the regionally based promotions company generated an unacceptable level of losses and was sold.

Mr Peters said traditional activities in packaging design, retail design, corporate literature, new product development and studio services turned in substantial increases in turnover and profits.

Cockade, the exhibition design and construction company, did well to generate a small profits as the international air shows at Paris and Farnborough and the Motor Show in Birmingham, from which it derived substantial earnings, did not take place in the period.

It was currently operating at full capacity and would enjoy a very profitable period in the current year, Mr Peters said. The established businesses were continuing to grow at a satisfactory rate and the younger ones should achieve substantial growth. Benefit should start to come from the acquisition of PA Design and the association with PA Group.

After tax £266,000 (£365,000) and minorities £5,000 (nil), the attributable profit for 1985-86 came through at £404,000 (£520,000) for earnings of 6.52p (8.72p) per share.

● comment

Synergy is a much-used term by empire-building chairmen and it is often intoned like a mantra with little evidence to back it up. So it is refreshing when Michael Peters can produce the statistics that a third of its clients use three or more of its companies. The company can even point to synergistic benefits at results time as the financial pr and corporate identity divisions beaver away to put the group's results in the best light. These figures require quite a bit of smart presentation. A major brake on profits (£150,000) came from the development of new divisions (particularly expensive, a nice irony, was financial pr). Also significant were the extra costs of the new head office (£100,000 plus) and £90,000 losses from a now sold subsidiary, inaptly named the Idea Works. This year there should be loss elimination in the new divisions, increased profits thanks to an exhibition glut at Cockade and a first time contribution from PA Design. All that could add up to pre-tax profits of £1.7m, putting the shares at 131p, on a prospective p/e of 8.5.

Hunting warns on oil services loss

Hunting Petroleum Services made a profit of £3.03m in the first half of 1986 from a turnover of £101m, compared with a restated £3.18m and £126m respectively in the like half of 1985.

The crude oil transportation operation in Canada accounted for £1.74m (£1.98m) of the profit, while lubricants, products distribution, oil broking and storage produced £1.15m (£1.25m), and oilfields services £140,000 (£124,000).

The directors said a loss anticipated from the oilfield services activity for the rest of the year reflected the environment in which that subsidiary was operating, and would reduce the group's pre-tax profit in the second half to a level similar to that now reported, against £4m earned last year.

The performance of Gibson Petroleum in Canada was better than the comparison indicated, as the 1985 figures benefitted from a more favourable rate of exchange.

The half year's attributable profit came to £1.06m (£1.3m) for earnings of 6.78p (8.35p) basic and 6.68p (7.84p) fully diluted. The interim dividend is lifted from 2.5p to 3.5p net, to balance more evenly with the final—6p last time. It carries a scrip alternative.

Tyzack Turner bid likely

BY CHARLES BATCHELOR

A TAKEOVER bid could be on the way for Tyzack Turner, the Sheffield manufacturer of industrial knives and blades, following approaches to two of its largest shareholders.

Tyzack announced yesterday that Boston Investment Management Group, which owns 20.24 per cent of its shares, and Ayre Mallett and Company, which holds 11.82 per cent, had been made offers to buy their shareholdings at 75p cash per share. At this price the company is valued at £2.66m.

If the buyer did win control of these two holdings, it would be required to launch an offer for the entire share capital since they exceed the trigger point of 29.9 per cent for takeover bids.

Mr Ray Parkes, managing director, said the company knew the identity of the potential bidder but could not disclose it.

"But we have had no official approach and no written offer," he added. "We don't know whether we should be trying to oppose or welcome the bid, or if a bid will emerge," he said.

The two shareholders which have been approached are both controlled by part-time Tyzack directors. Boston Investments is controlled by Mr D. M. Saunders, a non-executive director, while Ayre Mallett is controlled by Mr M. J. Mallett, executive vice-chairman on a part-time basis. Tyzack's shares were unchanged at 65p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Percy Bilton ....int	4.2	—	4	—	11.98
Charlie Browns	‡2	Jan 5	1	3	1
CCA Galleries ......int	‡0.8	Nov 17	—	—	1p
Close Bros	5.2	—	4.75	8	7.38
Fortnum & Mason ...int	5	—	5	—	39
James Halstead	3	Dec 5	2.5	5	4
Hunting Petroleum int	¶3.5	Dec 8	2.5	—	8.5
S. Jerome & Sons ...int	1.3	Nov 18	*0.83	—	*3
Molins ....int	2.2	Nov 28	2.2	—	7.9
Morgan Grenfell ...int	3.5	—	—	—	—
John Mowlem.........int	4.5	Dec 31	4	—	14
N. British Canadian int	2.15	—	2	—	6.85
Michael Peters	‡1.6	—	1.6	2.6	2.6
TR Pacific Basin ...int	0.5	—	0.5	—	1

Dividends shown in pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶To reduce disparity—carries scrip option.

Placing values Berry Birch at £6.9m on USM

By Philip Coggan

Berry, Birch and Noble, the financial services and insurance broking company is joining the unlisted securities market via a placing which values the group at £6.9m. Exactly 25 per cent of the existing 6m ordinary shares are being placed at 115p each.

The company was founded in April 1969 by the current chief executive Mr Derek Berry and Mr David Birch, now managing director. Group activities are life insurance and mortgage broking, pensions, mortgage and financial planning advisory services and insurance broking.

The directors are forecasting pre-tax profits of not less than £900,000 for the financial year ending January 31 1987 putting the shares on a prospective p/e of 13.4. In a full year, the directors would expect to pay a net dividend of 4.2p, giving a gross yield of 5.1 per cent at the placing price. In the past financial year, profits before tax and non-recurring expenses were £597,000 on turnover of £3.3m, on a merger accounting basis.

Brokers to the issue are Laurence Prust and dealings will start on October 20.

Evered buys John Payne

By David Goodhart

Evered Holdings is continuing its strategy of small takeovers following its failure earlier this year to win control of McKechnie Brothers.

The company yesterday announced the acquisition for £3.5m of The John Payne Group, which makes process and packaging machinery for the food and tobacco industry.

Mr John Payne, a former managing director of AMF Legg, who founded the business in 1975 will continue to run it. The company made a pre-tax profit of £920,000 in the year to May 31 1985 on net assets currently valued at £3.4m.

Evered is issuing 1.56m new shares to pay for this latest deal and Mr Payne and his family have agreed to hold not less than 90 per cent of the shares for a minimum period of 12 months.

Turner & Newall buys private company

Turner & Newall has acquired the private company Tangye Ltd, which makes hydraulic jacks, cylinders and pumps in the West Midlands.

The cost was not revealed, but is less than 1 per cent of T & N's net assets. The company will operate as a division of Flexitallic.

UK COMPANY NEWS

Nigel Wray is mystery bidder for Gilbert House

BY CHARLES BATCHELOR

MR NIGEL WRAY, the financier who last year acquired joint control of Somportex, the confectionery distribution company, emerged yesterday as the mystery bidder for Gilbert House Investments, the property investment and development group.

Mr Wray yesterday bought a 79.97 per cent stake—23m shares—in Gilbert House from Mr Turrloo Parrett, the Gilbert House chairman, Mrs J. B. Parrett and Letts Green Estate, a Turrloo family company.

The shares have been bought at 18.87p cash each to value Gilbert House's issued share capital at £5.44m. On the stock market yesterday the company's shares leaped 41p to 61p to value it at £17.58m.

Mr Wray is making a formal offer, on the same terms, for the remaining shares of Gilbert House but will place in the market a large number of the shares already acquired as well as any more that are tendered so as to retain its Unlisted Securities Market quotation.

The new owner plans to continue Gilbert House's property investment and development activities. There is not expected to be any substantial increase in its investment dealing activity but other possibilities will be investigated.

Gilbert House came to the USM in June 1983 with a placing of 19.68 per cent of its shares. On August 4 the Parrett family announced plans to make a 15p per share offer for these shares but this proposed bid has now been suspseded by the offer from Mr Wray.

Mr Wray plans to place 7.1m of the shares he is buying—24.65 per cent of Gilbert House's equity—with certain individuals, including 1.4m shares which will go to Mr P. J. Kleeman and his family. Mr Kleeman and Mr Wray are to join the Gilbert House board. Mr Parrett will remain as chairman.

A futrher 2.33m shares, or 8.1 per cent of the equity, will be placed with clients of stockbrokers de Zoete Bevan.

Mr Parrett will retain 100,000 shares and his making an offer for four subsidiaries of Gilbert House which own an investment property in Ashford, Kent and five dealing properties and properties in the course of development. These are valued at about £2.8m.

Beecham offshoots sale in final stages

BY TONY JACKSON

Beecham has confirmed that it is in the final stages of selling its home improvements business for a price believed to be close to £200m.

Among the bidders is a management consortium headed by Mr Richard Aston, who took over as managing director of Beecham's Unibond-Copydex subsidiary 12 months ago. The parts of the division being sold comprise three sealant manufacturers—DAP in the US, Ceresit in Germany and Rubson in France, as well as the Unibond-Copydex adhesives business in the UK. The worldwide UHU adhesives business, based in Germany, is not to be sold.

The home improvement division was formed largely through a series of acquisitions in 1984-85, though UHU was acquired in 1970. The largest part of the business is in the US, followed by Ceresit, Rubson and Unibond-Copydex, which are roughly equal in sales terms.

The fact that the proposed buyout represents only the relatively small US-based part of the business is thought to weigh against it. However, Beecham emphasised that prospective purchasers were still being shown around the various parts of the business, and that bids were not likely to be received before the end of the month.

The sale of the household products business, announced in principle in June, is part of a strategy of stripping the group down to its two traditional areas of pharmaceuticals and personal care products such as toiletries. The shares closed at 418p, up 12p.

Videoserve owners settle litigation

By David Goodhart

Videoserve, the company which supplies 95 per cent of UK video outlets, is set to expand into a major new market following the settlement of litigation between its joint owners CBS/Fox Video Ltd and Cityvision PLC.

CBS had begun the litigation over a disputed investment with the previous owners of Cityvision (then known as Intervision). Following the reconstruction of Cityvision and the personal intervention of Mr Ralston W. Coffin, the international president of CBS/Fox, Cityvision has agreed to make an additional loan (of less than £330,000) to Videoserve to bring the loans from the two shareholders into balance.

PROCESS SYSTEMS is paying $7.5m cash (£5.2m) to acquire MDA from Westinghouse. MDA makes translators and magnetic tape and solid stand-alone recorders, and had sales of $4.9m in the first half of 1986.

Hutchison sees its role as Pearson's white knight

BY DAVID GOODHART

MR SIMON MURRAY, managing director of Hutchison Whampoa, the Hong Kong trading company with a 4.9 per cent stake in Pearson, said yesterday that Hutchison could act as an effective "in-house white knight" if it was allowed to increase its stake in the industrial, banking and publishing group which owns the Financial Times.

In an interview with the US financial news agency AP-Dow Jones, Mr Murray repeated his belief that a corporate link-up would offer a wide range of benefits to both companies and added: "The idea of having someone you know with a sizeable stake, a potential in-house white knight, could make sense for them."

He also stressed that he did not want to make a hostile bid for Pearson: "We don't want to walk into the UK and get into a beat-up with the establishment. If the investment in Pearson doesn't work out well, we would look for something else, although we might try a different strategy."

Mr Murray is optimistic that Hutchison and Pearson can find "common and fertile" ground, and following his discussions with Lord Blakenham, Pearson chairman, in London last month, said: "The next move is their move. They've got to decide whether they want to see us in a larger position than we are today." He did not, however, specify how large a stake Hutchison wants.

Mr Murray noted that Pearson had some assets which might be considered undervalued. He said Pearson wanted to know how well the two groups can co-operate before allowing Hutchison to build its stake. Hutchison, by contrast, is anxious to move ahead now.

"Why not have a reasonable slug of their stock and get some of this downstream synergy working now. This is a very good stepping stone for us," said Mr Murray.

Smallbone to acquire luxury beds retailer

BY MIKE SMITH

Smallbone, the upmarket fitted kitchen supplier, which was floated on the Unlisted Securities Market, in June is to buy the luxury beds retailer And-so-to-Bed.

The deal puts a value of at least £3.4m on ASTB but, depending on profits between now and 1990, the final price is likely to be about £4.4m.

In the year to June this year, ASTB recorded pre-tax profits of £456,000 on turnover of £3.57m. It had assets of £1.05m, including £418,000 in cash.

Mr Graham Clark, Smallbone managing director, said yesterday he expected ASTB's pre-tax profits to rise steadily to about £1m in the year ending February 1990, putting the total deal at about £4.4m.

Smallbone, which recently added bedroom furniture to its ranges of kitchens and is branching out into bathrooms, was valued at £9.2m when it was floated four months ago. Pre-tax profits for the year to last February were £722,000.

Smallbone shares closed up 10p at 165p.

UK COMPANY NEWS

Interlink valued at £30m in offer for sale on USM

BY ALICE RAWSTHORN

Interlink, overnight parcels delivery service, yesterday became the 500th company to join the USM, when it went public through an offer for sale valuing its business at £30m.

The story of Interlink reads like an archetypal rags to riches tale. Its founder, Mr Richard Gabriel, chairman and chief executive, started the company as a motorcycle messenger service five years ago, having worked as a messenger in the City of London. After the flotation he will become a millionaire, by cashing in shares worth a little more than £1m.

The company collects and delivers parcels, within 24 hours, all over the UK. It operates from a central sorting depot in Hartlesbury, near Kidderminster, and from 114 franchised units across the country.

Each morning the franchisees collect parcels within their region. The parcels are taken by Interlink lorries to the central depot, sorted overnight, and delivered in early morning to the franchisees for delivery by lunchtime the following day.

"By opting for the franchising system we minimised start-up costs and have kept overheads down to a minimum," said Mr Gabriel. "The system also helps to ensure that our employees are highly motivated and, in an intensely competitive industry, that they maintain standards of service and quality."

In its last financial year to June 30 Interlink produced pre-tax profits of £2.59m on turnover of £13.75m, compared with £1.08m and £7.83m respectively in the previous year.

The company's development has been far from unproblematic. In 1982 a fire broke out in its administrative headquarters which destroyed all the accounting records. The then finance director had forgotten to renew the insurance policy and the company had to start again.

In the offer for sale sponsored by Laurence Prust Interlink will release 3.48m shares, or 21.4 per cent of its equity at 185p a share. This produces a p/e of 16.8p at earnings per share of 11p. Some 1.25m new shares will be issued, raising £2m which will be used to reduce borrowings and to acquire the freehold for a new headquarters in Bristol. The balance raised will go to the Gabriel family.

Interlink plans to grow organically. Mr Gabriel aims to increase its share of the overnight delivery market from five to 25 per cent in the next five years. It also plans to move into the Republic of Ireland and possibly West Germany, and to establish a high street parcel service.

● comment

There could scarcely be a more appropriate company to mark a milestone for the USM than Interlink. With its roots in a young, growth industry and a motorcycle messenger turned millionaire founder, it matches perfectly public perceptions of the USM. The company's progress to date has been undeniably impressive, although the cautious may be deterred by the naivete that caused the insurance muddles over the fire and past problems with VAT. That said it is entrepreneurs rather than accountants who create USM growth stocks and these faux pas could be excused by youthful inexperience. Given that the established delivery services such as TNT and Datapost are scarcely likely to sit back and watch Interlink eat into their market share without a battle, the target of 25 per cent within five years seems over-optimistic and with a p/e of 16.8 Interlink is superficially expensive. But it is difficult to be unenthusiastic about either the company or its growth prospects.

Charlie Browns rises to £922,000

In its first full year since joining the USM in May, 1985, Charlie Browns Car Part Centres lifted pre-tax profits by 52 per cent from £608,000 to £922,000. Sales for the 12 months to July 31 1986 were ahead 18 per cent at £18.07m.

While petrol sales fell 10 per cent to £4.94m, accessory and fittings sales rose 35 per cent to £13.13m. Mr Andrew Bairstow, the chairman, said growth was reflected at all branches, but was particularly impressive in the branches in South Yorkshire which had been acquired in 1984, but were affected by the miners' strike in 1984-85.

The company's branches grew to 41 by the end of July 1986, against 35 at the beginning of the year. The chairman said the new branches performed very well and would all be contributing to profits in the first half of the current year. With more branches planned this year, he was confident of further improved results.

After a higher tax charge of £347,000 (£185,000) representing a 38 per cent (30 per cent) rate, attributable profits were up 36 per cent from £423,000 to £575,000. Earnings per 10p share rose from 8.1p to 9.6p and the final dividend is 2p (1p) net making a total of 3p (1p) for the year.

Molins ahead 84% but sticks to forecast

Molins was still expecting its results for 1986 to be at least comparable with the previous year (pre-tax profit £8m), although for the first six months had experienced an increase of 84 per cent, from £2.5m to £4.6m.

Mr A. Frankel, chairman, explained that the timing of tobacco machinery deliveries against continuing major contracts had generated a higher than normal share of annual sales (up from £52.9m to £63.2m) and profits in the half-year. Profits in the second half, therefore, would be correspondingly lower.

In tobacco machinery, the group had broadly adequate order books for the balance of 1986. The market background to Langston's business (corrugated board machinery) was, for the time being, uncertain, and the forecast was subject to that.

Mr Frankel said Langston was affected by reduced demand for corrugated board machinery and the lower US dollar exchange rate. The company held, and in some cases improved, its share of the available business, but because of competitive pressures had not been able to obtain adequate margins.

The improved half year figures largely resulted from the restructuring of the tobacco machinery business in 1984-85. Each of those produced improved results.

Market demand, particularly in the mature Western areas, continued dull, with heavy competition for the available work. The group won an improving share of business from developing markets, albeit at reduced margins, and the results particularly benefited from shipments against major contracts with China.

Tobacco produced turnover of £45.7m (£33.5m) and trading profits of £4.1m (£1.7m), while corrugated contributed £17.5m (£19.4m) and £600,000 (£800,000) respectively.

Tax took £900.000 (£600,000) and minorities £100,000 (same), to leave the attributable profit at £3.8m (£2m). Earnings were 16p (9.1p) pre-tax, and 12.8p (6.8p) net.

UK COMPANY NEWS

STOCK EXCHANGE BUSINESS IN SEPTEMBER

Turnover rises sharply amid interest rate tensions

TURNOVER ON the UK Stock Exchange as growing tensions over global and domestic interest rates brought selling of both equities and fixed interest stocks. Trading in government bonds was particularly active and gathered pace towards the end of August, as hopes of a fall in UK interest rates were replaced by fears that pressure on the pound would force base rates higher.

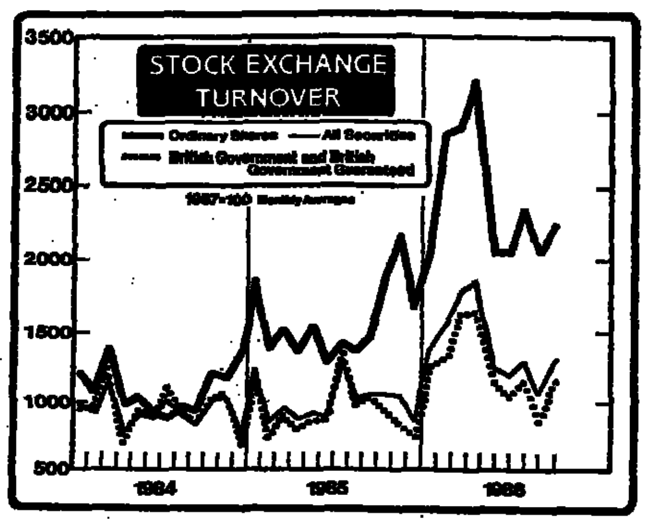
Turnover in gilt-edged securities jumped by nearly 35 per cent to £27.21bn. Most active were the short dated issues, which are the most nearly affected by rates in the money market. Trading in shorts rose by nearly 36 per cent to £13.45bn. Other fixed interest stocks also reported higher turnover, with the month's total of £14.26bn showing a gain of 33.5 per cent over August.

The FT Government securities index fell 69.6 points to 319.0 over the month, indicating the heavy selling of gilts which has brought hints of major losses by a major US trader.

Equities also ran into selling last month as Wall Street fell sharply and the threat of higher interest rates upset some of the market's forecasts for UK company profits. The FT Ordinary Index dropped by 84.9 points to 1,227.0.

But the setback reflected only a modest increase in turnover, which at £1.12bn was 10.3 per cent up on August. Private investor interest in the equity market focused around the run-up to the initial public offering of stock in the Trustee Savings Bank. The terms of the offer restrained institutional interest and by the end of the month, the major pension funds and other major investors may have been holding funds back in readiness for the first open market dealings in the new TSB shares.

The worries over world currencies and interest rates, together with the underlying nervousness over inflation that these worries reflect, brought significant activity in gold bullion. By the end of the month, gold bullion had gained $43 to reach $428 an ounce.



The demand for bullion brought a ready response in gold mining stocks, with the threat of an interruption in supply from the South African mines in no way restraining investment interest.

The FT Gold Mines Index jumped 69.6 points to 319.0, as investors in the UK, Europe and the US, sought an anti-inflation hedge at a time when industrial equities the world over were turning lower.

Towards the end of the month, UK securities markets were becoming yet more unsettled as the sudden downward pressures on sterling appeared to make a two point rise in bank base rates increasingly likely. Gilt-edged prices moved sharply, although it was left to the traders to supply the activity.

Also discouraging the major investors was the onset of the season of political party conferences. Turnover in the second line equity stocks fell away on these widespread uncertainties, but this was more than counter-balanced by US demand for some of the major blue chips.

There was heavy US buying of Beecham as the new chairman made an introductory tour of the City institutions. More press and investor meetings are planned this month by the Beecham board.

Also active were Jaguar shares, long a favourite with US investors. The car group is about to introduce its latest model, and transatlantic institutions bought the stock last month on the strength of increasingly favourable reports of the new car.

Steady buying of Grand Metropolitan was another factor. The first speculative flurries were justified when the company confirmed that it was on the way to selling its Liggett interests in the US.

However, renewed speculative demand then followed suggestions in the investment press that GrandMet might be a bid target. Fellow hotel-keeper Trusthouse Forte fell, also in active trading, after its bid for some of Hanson Trust's food and catering interests was referred to the Monopolies Commission.

The rise in equity turnover masked a dip in the size of the average share bargain, which at £27,600 was £1,000 lower that in the previous month. This sign that private investors were active in the market suggests that cash may have been taken out by small investors anxious to participate in the TSB issue.

Turriff keeping up recovery with £0.4m

Turriff Corporation continued its improvement in the first six months of 1986 and achieved a pre-tax profit of £394,000, compared with a loss of £421,000 and a profit of £408,000 for the whole of 1985.

Mr Astley Whittall, chairman, said he was optimistic that the improvement would continue.

Provisions made last year against loss-making contracts in the construction business proved adequate, and the business was operating profitably. "We are presently seeking a controlled increase in our workload," he said.

The plant hire companies made an encouraging start. Technicare was having difficulties mainly because of the low oil price but urgent action was taken to reduce overheads to improve profitability, and seek new business.

Turnover in the period was reduced to £24.76m (£31m). After tax £143,000 (£60,000) and minorities £24,000 (£42,000), the net profit was £227,000 (loss £523,000) for earnings of 5.1p per share (loss 11.9p)

Dividend policy over many years had been to pay a final only—7p for each of the last three years. The chairman said if the improvement in business continued it would be the intention to start declaring interims in 1987.

BOARD MEETINGS

TODAY

Interims: Ash and Lacy, Bowthorpe, Clifford's Dairies, Comcap, Hewden-Stuart Plant, Lamont, London and Edinburgh Trust, Miles 33, Sears, Silkolene Lubricants, Telephone Rentals.

Finals: A.C. Holdings, China and Eastern Investment.

FUTURE DATES

Interims—	
Abbey Life	Oct 15
Billam (J.)	Oct 16
British Dredging	Oct 17
Dura Mill	Oct 8
Gears Cross	Oct 10
House Property Co. of London	Oct 29
ISL	Oct 13
Musterlin	Oct 9
Newbold and Burton	Oct 9
Northern Securities Trust	Nov 6
Steel Brothers	Oct 13
Finals—	
Berry Trust	Nov 5
Bryant Holdings	Oct 13
Highland Distilleries	Oct 20

Munro Corp. climbs 48% to £0.85m

Munro Corporate, the issuing house which specialises in bringing small companies to the over-the-counter market and USM, yesterday reported pre-tax profits up by 48 per cent from £575,854 to £854,999 for the year to June 30 1986 on turnover lower at £13.13m compared with £13.8m.

Agreement has been reached to acquire Investors Planning Associates for a total consideration of £2m.

Stated earnings per share rose from 16.8p to 35.4p, and the total dividend is increased from 0.525p to 0.71p.

Central & Sheerwood's accounts qualified

Central & Sheerwood's auditors have again qualified the accounts to the effect that the group remains viable on a going concern basis only, with the banks agreeing to support the company's progressive achievement of its business plan.

The principal bankers confirmed in September that they would continue to provide finance, conditional upon the continuing achievement of the group's operational plan. The bankers will continue to monitor the group's performance on a regular basis against the plan.

Despite the £3.64m cost of the settlement of the GMP counter indemnity, borrowings reduced from £17m in January 1984 to £16m at end June 1986. In real terms, the group has, since January 1984, paid to its bankers in aggregate more than £11.5m of combined capital and interest charges.

As previously announced, the group showed a loss before tax of £1.52m for 1985 compared with a loss of £12.71m for 1984.

The annual general meeting will be held at Horseferry Road on Thursday October 30 at 11 am.

COMPANY NEWS IN BRIEF

NO PROBES—The following mergers are not being referred to the Monopolies Commission: Gates Corporation acquisition of Uniroyal Power Transmission company and Chase Corporation acquisition of Wingate Property Investments.

SHEPHERD NEAME, Kent brewers, proposes a final dividend of 11p making 14.25p (12.25p) for year to June 30. Turnover was £17.26m (£15.78m) and profit before tax £2.39m (£2.05m). Company has launched a new group of public houses with accommodation called "Invicta Inns."

MICROGEN HOLDINGS has purchased for £400,000 cash the goodwill relating to the laser printing customer base of Comshare. Microgen has also purchased from Comshare a used Xerox 97000 laser printer for £75,000.

WEDGWOOD—The Secretary of State for Trade and Industry has received undertakings from London International Group not to acquire any part of the capital of Wedgwood, nor to enter into any agreement which would result in its holding or having an interest in more than 15 per cent of any class of shares during the period of the Monopolies Commission investigation.

UK COMPANY NEWS

S. Jerome lifts first half profit by 71%

By Mike Smith

S. Jerome and Sons (Holdings), the textiles and electronics group, announced yesterday it had increased its first half 1986 pre-tax profits from £314,000 in 1985 to £536,000 or by 71 per cent.

The interim dividend is lifted from an adjusted 0.83p per share to 1.3p. The company said the 57 per cent increase would help reduce the disparity with the final—2.17p paid last year.

Mr Alan Jerome, chairman, said the amount of the final would depend on the full results but he was confident of further record profits.

The shares rose 6p to close at 92p.

The textiles divisions were performing well in all sectors, with orders in hand up on last year, and CMR, the electoronics division, was increasing its contribution following its return to profitability last year.

Mr Jerome said the company was also on the look-out for acquisitions. "I want to see the group grow in different product areas of textiles," he said.

In the half year total turnover reached £10.1m (£9.1m). The textiles side — worsted spinning, weaving, bleaching and finishing — increased operating profits from £468,000 to £602,000, on turnover up from £7.39m to £8.24m.

The chairman said the results were achieved in spite of poor weather in March and April

In electronics, last year's operating profit of £33,000 was almost doubled to £62,000. Turnover rose from £1.71m to £1.89m.

Interest charges for the group fell to £128,000 (£187,000) but tax rose to £198,000 (£132,000).

This left net profits at £338,000 (£182,000) and earnings per share at 5.84p (3.15p).

Mersey Docks still hit by overmanning problems

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Mersey Docks and Harbour Company made a profit before tax of £1.08m in the first half-year to June, compared with £1.42m for the same period in 1985.

The company blames the poorer performance on trading factors beyond its control and continuing overmanning of the Port of Liverpool, which still has 4,330 too many dockers and administrative staff.

Overmanning hit the trading account with £882,000 of extra wages and associated costs. The company continued to be burdened by £1.19m of pre-1971 pension costs. Severance costs of £7.5m were an exceptional item: £4.26m of these were met by repayable government grants.

Mr James Fitzpatrick, the chairman, said that income from general cargo had been hit badly by the re-imposition of severe imports controls by Nigeria. However, most other trade was buoyant and turnround time at the Seaforth container terminal was now unsurpassed in Europe.

He said the port's grain terminal had been hit by lower imports as EEC grain production rose. The company was hoping to use the terminal more fully by selling its spare capacity to grain exporters.

The central problem, however, remains that of overmanning among the 1,600 registered dock workers and 1,000 other staff. Mr Fitzpatrick said that the present voluntary severance scheme, which has maximum payments of £25,000 for people leaving, was not as attractive on Merseyside as elsewhere because of the poorer prospects of leavers finding other work.

Discussions are under way with the government aimed at resolving the problem but he ruled out Liverpool following London's example of a top-up by the port to bring the lump sum to £35,000. The cost would be at least £3m, which the MDHC could not afford.

The company expects to conclude a new two-year pay and productivity deal shortly. Mr Fitzpatrick said that the pay element—believed to involve 4 per cent each year—was almost settled. The sticking point was new working practices.

The unions were reluctant to change if this accentuated overmanning, while the management had won important changes in the previous two two-year deals and needed to do so again.

Key negotiations are for new working practices and manning at the loss-making timber terminal, which the company says it will shut down if there is no agreement by December 31. The terminal had a 25 per cent increase in traffic in the first half-year, but of lower quality wood for use in packaging and construction work. factors beyond our control."

The company made £2.4m before tax in 1985.

Riley Leisure hit by losses

THE RATE of recovery at Riley Leisure has been halted in the first half of 1986, the main problem being the leisure industries division where losses rose substantially.

Trading profit fell from £1.39m to £804,000. But a cut in interest charges from £881,000 to £464,000 was reflected in the pre-tax profit, and the drop was £164,000 to £340,000.

Of the trading profit, snooker manufacturing accounted for £325,000 (£413,000), leisure loss — home snooker tables — £587,000 (£248,000), and snooker clubs £1.07m (£979,000).

The fitness equipment division was sold in March and helped to reduce bank overdraft. In the first half of 1985, it contributed £289,000 to trading profit.

Against increasing competition, the snooker clubs achieved improvement in turnover and profits; three smaller uneconomic clubs were sold and in September two larger ones opened, incorporating much better facilities.

The directors said the continuing strength of snooker in the UK and the widespread development of the sport throughout the world was encouraging for the longer term.

The major problem was to arrest the losses in leisure and that was receiving their full attention. Capacity in the home snooker table industry currently exceeded requirement.

After tax £210,000 (£100,000) the net profit for the half year was £130,000 (£404,000) for earnings of 0.4p (2.1p) per share.

There is again no dividend on the convertible cumulative redeemable preference shares. The extraordinary credit this time was £2.93m (£52,000).

CCA forecasts rise

Profits before tax of CCA Galleries fell from £286,000 to £223,000 in the six months to June 30 on turnover down from £2.02m to £1.99m. An interim dividend of 0.8p per share is declared.

Fluctuating patterns of trade caused the fall in profits in the first half which should more than be made good in the second. Turnover and profits for the full year should show an improvement over 1985, the directors state.

Fortnum & Mason in the red

Fortnum & Mason, the department store located in London's Piccadilly, fell into the red in the 28 weeks to August 9 1986. On slightly lower sales of £6.2m, against £6.34m, the company incurred a pre-tax loss of £68,000, compared with a £110,000 profit previously.

The company said that the results, while disappointing, must be placed in the perspective of the economic and political factors which were the chief cause.

Traditionally, the second half was all-important to the level of annual sales and profits, and the company said yesterday that this would be more than ever the case this year.

Although there were signs that sales were showing some improvement both against budget and prior year levels, it was unlikely that trading profit and interest income for the year would match the levels achieved in 1985-86.

While losses per £1 share were stated at 12.7p (15p earnings), the interim dividend is maintained at 5p net—last year's total was 39p on £1.03m taxable profits.

At the trading level, the interim loss was £206,000 (£76,000). Interest receivable decreased from £186,000 to £138,000 and there was a tax credit of £18,000 (£42,000 charge).

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	49	‡Broad St. Grp.10p	51	+1	b1.1	2.2	3.0	21.1
§130	F.P.	17/10	195	152	‡Creighton Labs 20p	188	+3	U3.7	2.2	2.8	22.8
160	F.P.	24/10	146	123	Euro Home Products 5p	128	+3	R4.25	2.5	4.7	9.8
§105	F.P.	16/10	112	103	‡Eve Construction	106	+3	u4.5	3.2	6.0	7.5
§135	F.P.	—	150	145	‡Great Southern 10p	150	+1	R5.2	2.2	4.9	12.8
[illegible]	F.P.	—	28	27½	Group Development	28	—	—	—	—	—
105.25	F.P.	—	108	104	India Fund £1	108	—	—	—	—	—
§135	F.P.	24/10	160	145	‡Local London Group 5p	160	+1	W5.0	1.8	4.4	18.0
§105	F.P.	—	150	133	‡Miller & Santhouse 5p	144	+2	u2.25	2.4	2.2	26.9
§75	F.P.	24/10	79	73	‡Newage Trans 5p	73	—	R3.5	2.5	6.8	8.3
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	+1	—	—	—	—
§90	F.P.	—	90	88	‡Radamec Group 5p	90	—	R1.28	4.7	2.0	12.3
135	F.P.	24/10	160	151	Sandell Perkins 10p	160	+2	u3.8	2.9	3.3	14.7
—	F.P.	3/10	18½	9	Sutcliffe Speak Wrnts	16	—	—	—	—	—
[illegible]	F.P.	—	385	385	‡Utd. Trust & Credit £1	345	+10	u14.0	2.1	5.7	11.9
125	F.P.	10/10	156	136	Yorkshire TV	140	+3	R6.25	2.4	6.3	9.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
[illegible]	Nil	—	1½pm	½pm	Comtech Finance 11½% Cnv. Uns. Ln. 1996	1pm	+½
[illegible]	Nil	—	7pm	6pm	‡Goodhead Print 7% Cnv. Red. Prf	7pm	—
§100	£10	19/5	9½	3¾	Mid-Sussex Water 11% Red Deb2012-16	4	—
§99.937	£25	24/10	25¼	22¾	Nationwide 3¾% IL Ln. 2021	23¼	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

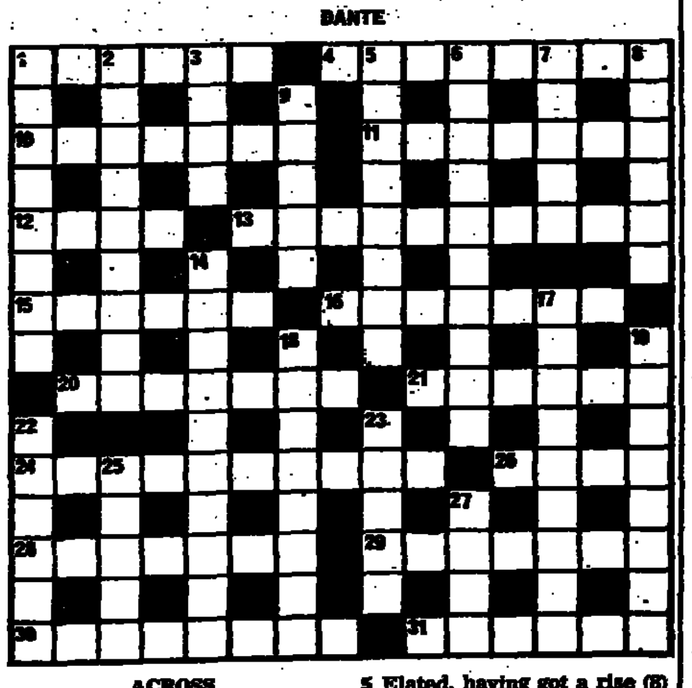
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FT CROSSWORD PUZZLE NO 6,144

DANTE



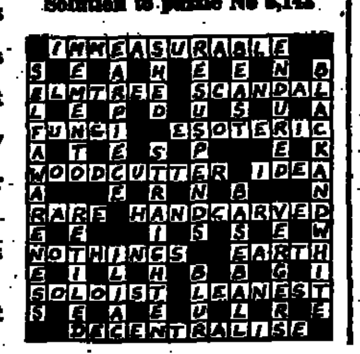
ACROSS

1 He pretends it's sweet (6)
4 Fruit with coverings—they're bananas (3-5)
10 Hidden danger that may trap miners (7)
11 Bishop is to send a pound back (7)
12 He roars in anger and in pride (4)
13 The satisfaction of achievement (10)
15 Demon drink? (6)
16 A communication you'll understand when you get it (7)
20 A part, once it's revised (7)
21 Offer part of the rolling stock (6)
24 She may be found highly entertaining (3-7)
26 Doesn't fail with an amorous advance (4)
28 Some havoc adolescents cause with fruit (7)
29 Protected from shock, but still broken-hearted (7)
30 Carefully examined any leads broken (8)
31 Either sing together or refrain (6)

DOWN

1 Full of despair, he takes less work in (8)
2 Bolt from the blue? (9)
3 It could kill though it's not down as a poison (4)
5 Elated, having got a rise (8)
6 A neat farm structure (6,4)
7 French river battle of WWI (5)
8 Takes vain steps to provide support (6)
9 Book of stamps, perhaps (5)
14 Indicatory anagram book (10)
17 Film sponsor (9)
18 Delay when the mail has broken open (8)
19 Struggles to maintain faith in the past (8)
22 Criticise a mother in straw hat (6)
23 Wooden pale (5)
25 She is strangely hard about love (5)
27 A way through on foot (4)

Solution to puzzle No 6,143



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	25.9	27.6	+1.5	0.15
Pacific Basin	21.4	22.8	+0.7	0.2
Canadian Balanced Growth	57.8	61.8	-0.9	0.98
Gearte Mar	101.9	106.2	-0.3	7.0

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	55.5	57.8	-0.3	1.5
British Growth (z)	64.9	66.9	+0.2	2.5
British Income (z)	62.8	64.5	-0.6	4.75
British Extra Yield(z)	49.0	50.4	-0.1	7.0

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.8	68.9	+0.1	—
U.S. Govmt Bond Fd	0.514	0.516	+0.002	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	47.9	51.0	+0.1	7.71
Growth Trust	51.4	54.7	+0.1	2.26
Income Trust	53.0	56.4	+0.4	5.15

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0992

Growth Fund	66.8	70.3	—	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	126.4	134.5	+0.4	3.22

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2NU

Clerical Medical/Fidelity International
Narrow Plain, Bristol

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV .... $18.58 | +0.06 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd .... $16.05 | –0.23 | —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech .... $16.70 | +0.25 | —
Dynamic Gwth Fd .... $19.36 | +0.47 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund .... $11.97 12.67 | — | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
Call Fund	9.31	6.96	10.17	3-mth
7-day Fund	9.47	7.08	10.34	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.48	7.09	10.36	6mth
7-day Fnd	9.56	7.15	10.44	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.03	6.75	9.62	6-Mth
7-day Fund	9.16	6.85	9.82	6-Mth
Dollar	4.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc.	9.25	6.80	9.82	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
High Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc.	10.125	7.57	11.04	Mth
Bank of Scotland				

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect.	16
Babcock	37	RHM	20
Barclays	45	Rank Org Ord.	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	48
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	128
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	**Oils**	
Guardian	75	Brit. Oil & Min.	$2\frac{1}{2}$
GKN	32	Brit Petroleum	48
Hanson Tst.	16	Burmah Oil	30
Hawker Sidd.	48	Charterhall	4
ICI	55	Premier	$3\frac{1}{2}$
Jaguar	38	Shell	55
Ladbroke	32	Tricentrol	11
Legal & Gen	24	Ultramar	18
Lex Service	28	**Mines**	
Lloyds Bank	38	Cons Gold	40
Lucas Inds	52	Lonrho	24
Marks & Spencer	18	Rio T Zinc	50
Midland Bk.	44		
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

LME expects to retain 'traditional' features

BY STEFAN WAGSTYL

THE LONDON Metal Exchange, which has been negotiating the reform of its market with City regulatory authorities, appears to have won its battle to keep change to a minimum.

Mr Michael Brown, LME chief executive told a trade conference in London yesterday: "We are certainly hopeful that the steps we have made will enable us to continue doing business in the traditional way."

Mr Brown's comments followed a meeting on Friday between LME officials and representatives of the Securities and Investments Board, the embryonic City regulatory body, the Bank of England and the Department of Trade and Industry.

The news will delight the exchange's brokers and metal trade clients many of whom have argued strongly against change.

Under pressure from the SIB, the LME agreed in March to replace its century-old principal-to-principal market with a system in which a clearing house acts as intermediary between brokers.

However, it now seems that the LME has succeeded in its fight to make sure that its clearing system is modified to retain as many features as possible of its present market. Although negotiations with the SIB are not yet completed it looks as if the LME could adopt a clearing system which is quite different from those operated by other exchanges.

At the heart of the talks between the LME and the SIB has been the issue of the segregation of client accounts. At present, LME brokers are permitted to offset different clients' long and short positions, laying off only the net risk on the market. The SIB, which is being entrusted with the Government's policy of increasing investor protection in the City, had wanted the rules changes so each client's account is kept separate.

The LME appears to have persuaded the SIB to accept a compromise under which the segregation rules will apply to private investors but not to trade clients.

As a result, it is likely that unlike other cleared markets, the LME will not have to ask trade clients to pay cash margin when they open positions on the market and make further margin payments when prices move against them. Instead, the exchange seems set to retain its "prompt date" settlement system, under which profits and losses are settled on the contract expiry date. To meet the financial security rules of the clearing house, bank guarantees would be put up to cover open positions rather than cash margin payments.

Mr Brown said yesterday that the new system would probably be up and running by next March. He was speaking at a forum organised by American Metal Market, a trade newspaper.

Commenting on Mr Brown's remarks, Mr Clem Danin, a director of Boustead Davis, an LME trading company, told the conference that the exchange would still have a principal-to-principal contract (for trade clients) but the business would be cleared through a clearing house operated by the International Commodities Clearing House.

Traded options planned for spring

BY STEFAN WAGSTYL

THE London Metal Exchange plans to launch traded options in all six metals in which it makes markets at the time when reforms to its trading system are carried out—probably next March.

Mr Paul Shuman, chairman of an LME traded options sub-committee, told the conference that options and options-related business accounted for more than 50 per cent of exchange turnover, according to his estimates.

Mr Shuman said it was likely traditional options, granted by brokers off the market, would not be cleared through the proposed LME clearing house system. Traded options would be. As a result the options market would be safer and more liquid.

Mr Shuman said prompt (or settlement) dates in options would probably initially be two months apart, with the possibility of intermediate months being introduced later. There would probably be an interval of two weeks between the declaration date, the day an option fell due, and the prompt date. These would be the second and fourth Wednesday of the month, respectively.

At present a number of LME brokers write their own options, including Rudolf Wolff, Mocatta Commercial, Shearson Lehman Metals and Maclaine Watson.

London extends range of oil futures

By Lucy Kellaway

TRADING STARTS today on London's International Petroleum Exchange in two new futures contracts based on gasoline and heavy fuel oil. Both contracts, which will be added to the existing gas oil contract, are unique, Mr Peter Wildblood, the chief executive of the exchange said yesterday. The gasoline contract is based on leaded fuel, which has been phased out on the New York Mercantile Exchange while the heavy fuel oil contract is the first of its kind.

Mr Wildblood said that the contracts had met with "extremely good feedback from the trade." However, he warned that they could not be expected to catch on at once, and said that 5,000 lots traded in the first six months would be a satisfactory start.

The launch marks the Exchange's third attempt at diversifying away from its successful gasoil contract. Two earlier attempts to establish a crude contract failed, although the exchange still believes that there is a market for such a contract and discussions with the industry are progressing.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	—3,075 to 121,850
Copper	—2,200 to 161,650
Lead	—375 to 38,625
Nickel	—144 to 8,718
Tin	—315 to 44,345
Zinc	—1,900 to 25,550
	(ounces)
Silver	—210,00 to 25,216,000

Brighter prospects seen for rubber agreement

BY WILLIAM DULLFORCE IN GENEVA

RUBBER PRODUCING and importing countries embarked here yesterday on their third attempt to agree on a new International Natural Rubber Agreement (Inra) with brighter prospects than before for a successful outcome.

A new five-year price-stabilising agreement to replace the one expiring at the end of September, 1987 should be reached in the next two weeks, Mr Manaspas Xuto, the Thai chairman of the UN natural rubber conference, said

Compromise appears to be in sight over the crucial issue of the buffer stock reference price for the new Inra. Differences over the level at which the reference price should be pitched and over the mechanism for subsequent adjustments brought about the collapse of the last round of talks in May.

The reference price determines the price levels at which the buffer stock manager can intervene by buying or selling rubber on the market.

Producers, headed by Malaysia, had been holding out for a reference price of 265 Malaysian/Singapore cents a kilo against the 201.66 cents valid since August, 1985

Good news and bad news for Canada's grain trade

BY BERNARD SIMON IN TORONTO

A TENTATIVE agreement to end a crippling, month-long work stoppage at Canada's main Great Lakes grain handling terminal of Thunder Bay is expected to restore normal operations at the port by the end of this week.

The agreement was reached in the early hours of Sunday morning after the Federal Government had threatened to pass special legislation early this week to force the 1,500 grain handlers back to work. A federal mediator was sent to Thunder Bay to break the deadlock between the handlers and their employers.

But Canadian exporters suffered another labour-related setback yesterday when West Coast Stevedoring companies locked out about 3,700 dock workers over a contract dispute on container handling. About half of Canada's grain is shipped through Vancouver and the new Prince Rupert terminal in British Columbia.

Pressure had grown on the Government to intervene in the Thunder Bay dispute as stocks of Canadian grain fell to dangerously low levels at export elevators on the lower St Lawrence river. Fears were growing that the strike and lockout might cost Canada export business in an over-supplied market. Grain routed through Thunder Bay is trans-shipped to ocean-going vessels at the St Lawrence ports.

Details of the settlement will not be revealed until a ratification vote is taken among the workers.

Falconbridge to cut nickel production

By Bernard Simon in Toronto

FALCONBRIDGE, the loss-making Canadian nickel producer, is to cut production at its main operations in Sudbury, Northern Ontario, by about one-sixth in 1987 and will close its Norwegian refinery fo rat least a month next summer.

Ascribing the cutbacks to continuing low nickel prices and over-supply of the metal, the Toronto-based company said that employment levels at Sudbury will be reduced by about 10 per cent, salaries of senior managers will be cut, and the working week at head office will be extended by 2.5 hours without extra pay.

Falconbridge has tried to resist cutbacks up to now, gaining a reputation as a fierce price-cutter in international nickel markets. But the company suffered a C$27.2m (£20m) operating loss in the first six months of this year. Besides lo wnickel prices it is burdened by charges on debt used to finance the C$615m acquisition earlier this year of the Ontario base metal producer, Kidd Creek mines.

The shutdowns planned at Sudbury, which include the entire months of July and August 1987, are expected to push output below 60,000 lb, compared to almost 70,000 in 1986†. Falconbridge said that 275 mine, mill and office jobs are to be eliminated at Sudbury, either through lay-offs or the early retirement packages being offered to 435 workers.

● THE US supreme court rejected a challenge to the environmental protection agency's (EPA's) rules setting strict standards for the non-ferrous metals industry under the clean water laws.

The industry argued that the waste treatment standards, adopted in 1984, governing primary lead, zinc and copper and secondary lead plants, were unachievable, were based on flawed data and will result in widespread costs.

Challenging the standards were the American Mining Congress, the Secondary Lead Smelters Association, Amax Inc, Asarco Inc, St. Joe Minerals Co and Gulf Coast Lead Co.

They were supported by The Chamber of Commerce, The National Association of Manufacturers and The American Iron and Steel Institute, trade groups that filed friend-of-the-court briefs in the case.

But Justice Department attorneys, on behalf of the EPA, said toxic metals discharged from the plants posed serious adverse health and environmental effects. They urged the high court to reject the industry challenge by letting stand a federal appeals court ruling last December that upheld the standards.

They noted the appeals court found that the EPA did not act arbitrarily or capriciously in adopting the rules.

● THE PRICE of gold is likely to remain above $400 a troy ounce for some time, South Africa's Finance Minister Mr Barend du Plessis said in London yesterday. He said that in view of the many variables involved he could not state categorically that the present price of gold would be sustained.

"But it would seem likely that the gold price will be able to move for some time in a band over $400," he said.

John Cherrington is on holiday this week. His "Farmer's Viewpoint" column will return next Tuesday.

Supply restraint galvanises minor metals

BY DAVID GILBERTSON

FOR the producers of most minor, strategic and alloying metals 1986 has in large part been a frustrating year. Demand has mostly held up strongly—in some cases such as cobalt and molybdenum perhaps reaching record levels—but prices have continued to languish at low levels, depressed by the twin influences of over-supply and a widespread lack of conviction that commodity prices generally can rise.

But in the course of the past two months there have been clear signs that the producers of these ailing commodities have decided that enough is enough. If they cannot achieve strong prices when demand is healthy, what hope is there for them when the next cyclical downturn starts to bite? After what in most cases had been an extended period of historical low prices, the leading producers have at last been stirred into action—and prices have reflected this.

Suddenly the minor metal consuming sector, long lulled into the belief that tomorrow's metal will always be available more cheaply than today's, has been awoken from its slumbers, and with a start.

Perhaps the most impressive recovery has taken place in cobalt, which in the space of four hectic days in early September rose from a low of around $3.60 to over $6 a pound. The reason for the sharp turnaround was a statement from Gecamines, Zaire's state-owned mine concern and the world's dominant producer of cobalt, that it had simply run out of material in Europe. It could no longer supply customers' needs on the hand-to-mouth basis to which they had become accustomed. When Zambia, the second biggest supplier, followed up with an announcement soon afterward that it too had no cobalt available for nearby delivery outside its long-term contractual commitments, the market's response was immediate.

Whether the Africans engineered and orchestrated the temporary shortage for the purpose of spurring prices is unclear. But it is certainly true that there remains no real shortage of cobalt—stocks on the ground in Africa are plentiful—it is simply the length of the pipeline to Europe which has caused the supply dislocation. Theories differ as to whether the move was triggered by design or mismanagement, but whatever the background the impact on prices was dramatic. After months of chasing the available business, the leading African producers were suddenly made aware of the potential impact of sales restraint.

Across the globe in North America, the major producers of molybdenum, a vital additive to tool and pipeline steels, have also recently reasserted a measure of control over their market. After a prolonged period of prices below $3 a pound for oxide (a level well below the production costs of virtually all the world's producers), the two leading suppliers, the US mining houses Amax and Cyprus Minerals, have taken action to stiffen the market, posting independent producer prices at $3.25 and declining all sales below that level. Amax, indeed, has followed that up with a new statement that from the start of October it will not sell below $3.45. The steps have tightened the market considerably and there is now virtually no material available either from minority producers or merchant suppliers below the $3.20 level at best.

Meanwhile China, a significant producer of a number of minor metals, also seems to have reacted at last to the low returns on its sales and has cut back heavily on its shipments to the West of a number of minor metals in which of late it had been a heavy seller.

Responding to the supply contraction, chromium metal prices have firmed from $2.30-$2.40 a pound from around $2.00 in early September, ferro-tungsten has bounced to almost $6 from below $4 a month ago and ferro-vanadium, antimony and manganese metal prices have also firmed noticeably in recent weeks.

But it is not all roses in the minor metals garden. Some metals still remain in the doldrums, awaiting a firmer line from the major suppliers. Mercury provides perhaps the starkest example. Sustained heavy selling has driven the market down from $250 at the start of the year to as low as $115 per flask, prompting Spain's Almaden, Europe's leading producer to threaten an anti-dumping suit in the EEC against the USSR for alleged cheap sales. The Russians have this year emerged as large suppliers to the West, having returned to the market as net sellers of mercury for the first time in many years. But even in mercury the pressure of low prices seems to be prompting the producers to rally round. At the end of September Almaden announced that it was holding talks with Algeria with a view to taking concerted action to halt the price slide. Both are to decline to sell mercury on a spot basis while the market remains at current lows.

David Gilbertson is joint editor of Metal Bulletin.

LONDON MARKETS

THE UPWARD swing of the coffee pendulum gathered pace yesterday after a brief burst of early selling uncovered an area of firm support. A £75 rise lifted the January position on the London futures market to £2,257.50 a tonne at the close, £127.50 above the low it reached in the middle of last week after a sustained bout of technical selling had trimmed nearly £400 a tonne off nearby positions. Dealers said confidence appeared to have returned to the market with most operators now convinced last week's sell-off with overdone. They said fundamental factors remained bullish with lack of rainfall in Brazil still giving cause for concern. On the cocoa futures market prices finished a little lower on the day. Traders said the market lacked direction and prices appeared to be consolidating ahead of fresh crop developments. The physical market was quiet, they said, while manufacturer offtake was "routine."

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	797-8	—15	802.5/802.5
3 months	807-8	—7.75	814/807

Official closing (am): Cash 802-2.5 (811-2); three months 807-8 (814-4.5); settlement 802.5 (8.12). Final Kerb Close: 811-12. Turnover: 15075 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	922.5-3.5	+2.5	923/923
3 months	944.5-5	+1.5	947/942

Official closing (am): Cash 922.5-3 (925.5-6); three months 944.5-5 (948-8.5); settlement 923 (926). Final Kerb Close: 946-7.

Standard			
Cash	899-901	+4	899/899
3 months	922-3	+1.5	922.5/922.5

Official closing (am): Cash 899-900 (901.5-2.5); three months 922-2.5 (928-9); settlement 900 (902.5). US Producer prices 62.5/66 cents per pound. Total turnover: 28775 tones.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	279-85	+2.75	279/279
3 months	281.5-2	+1	285/281.5

Official closing (am): Cash 279-9.5 (277.25-7.5); three months 282-2.5 (280.75-1); settlement 279.5 (277.5). Final Kerb Close: 282-82. Turnover: 4000 tonnes. US Spot: 24/24.5 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2555-65	—20	—
3 months	2605-6	—12	2615/2605

Official closing (am): Cash 2560-5 (2570-5); three months 2607-10 (2617-20); settlement 2565 (2575). Final Kerb Close: 2,607-10. Turnover: 942 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	629-30	+1	631/629
3 months	619-20	—0.75	622.618

Official closing (am): Cash 630.5-1 (631-2); three months 620-1 (621.5-2); settlement 631 (632). Final Kerb Close: 618-9. Turnover: 11775 tonnes. US Prime Western: 44/47.5 cents per pound.

TIN

KUALA LUMPUR TIN MARKET: Close (14-11-14.12) ringgit per kg. Down 0.1 ringgit per kg.

GOLD

Gold rose $1 to $437½-438½ on the London bullion market yesterday. Trading was fairly quiet, with the weaker dollar helping to underpin the metal. It opened at $433-434 and was fixed at $436.50 in the morning and $436.90 in the afternoon. Gold touched a peak of $439½-440½ and a low of $433-434.

GOLD BULLION (fine ounce) Oct. 6

Close	$437½-438½	(£304-304¾)
Opening	$433-434	(£301¼-302)
M'n'g fix	$436.50	(£302.610)
Aft'n'n fix	$436.90	(£303.403)

GOLD AND PLATINUM COINS

Kr'g'r'nd	[illegible]	[illegible]
½ Krug.	[illegible]	[illegible]
¼ Krug.	[illegible]	[illegible]
1/10 Krug.	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 1.85p an ounce lower for spot delivery in the London bullion market yesterday at 398.75p. US cent equivalents of the fixing levels were: Spot [illegible]; three month [illegible]; six-month 590.55c, [illegible] and 12-month 607c, [illegible]. The metal opened at 395-396p [illegible] and closed at 398-399½p [illegible].

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]
6 months	[illegible]	[illegible]		
12 months	[illegible]	[illegible]		

LME—Turnover 77 (4) lots of 10,000 ounces.

Cash high/low [illegible]; three months high/low [illegible].

MEAT

	LIVE CATTLE		LIVE PIGS	
Month	Y'day's close	+ or —	Y'day's close	+ or —
Oct	95.80	—0.70	103.70	+0.80
Nov	97.50	—	103.90	+0.50
Feb	—	—	98.50	—0.50
Apr	100.00	+2.50	99.00	—0.50

Cattle sales: 3 (45) lots of 5,000 kg. Pigs sales: 9 (108) lots of 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle [illegible] (+6.88). GB—Sheep [illegible] GB—Pigs [illegible] (—1.34).

REUTERS INDICES

Oct. 3	Oct. 2	M'th ago	Year ago
1565.1	1558.9	1475.0	1699.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 3	Oct 2	M'th ago	Year ago
Spot	122.88	123.71	—	114.15
Fut	122.58	123.51	—	117.16

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 6 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1255/275	—30	$1325/345
Copper			
Cash Grade A	£923	+2.5	£910
3 mths	£944.75	+1.5	£928.25
Gold Troy oz	$438	+1	$416
Lead Cash	£279.25	+2.75	£273.25
3 mths	£281.75	+1	£275.25
Nickel			
Free Mkt	167/187c	—1	171/181c
Palladium oz	$144.00	—0.75	$148.00
Platinum oz	$610.00	+5.50	$653.75
Quicksilver†	$140/150		$135/145
Silver troy oz	398.75p	—1.85	371.75p
3 mths	409.35p	—1.50	380.80p
Tin			
free mkt	£3820/850	+15	[illegible]
Tungsten	$50.08		$52.73
Wolfram 22.0lb	$34/44		$35/45
Zinc	£529.5	+1	£575
3 mths	£519.5	—0.75	£579.87
producers	$920		$840/880
OILS			
Coconut (Phil)	$295w		$325
Palm Malayan	$247.5y	+2.5	$200
Copra (Phil)	$185	+5	$150
Soyabean (U.S.)	$152		$157
GRAINS			
Barley Fut. Jan.	£110.10		£107.50
Maize	£148.50	+0.5	£153.00
Wheat Fut. Jan.	£106.75	—0.05	£107.40
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1566.5	—6	£1551.5
Coffee Ft. Jan.	£2257.5	+75	£2375.5
Cotton A Ind.*	51.15c	+0.2	40.80c
Gas Oil Nov.	$124	—2.5	$137.75
Rubber (kilo)	66p		62p
Sugar (raw)	$121.5w	+0.5	$115
Wooltops 64s	388p kilo		388p kilo

‡ Unquoted. † Per 76 lb flask. c Cents a pound. * Cotton outlook. y Nov. w Oct-Nov. v Dec.

COCOA

Futures closed slightly lower after a quiet day following a weaker New York market. Physicals were quiet with producers sidelined and only routine manufacturer offtake.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Dec	1527-1528	—11.0	1537-1524
March	1566-1567	—9.0	1576-1565
May	1585-1587	—10.5	1600-1584
July	1605-1607	—9.5	1616-1604
Sept.	1623-1627	—8.5	1625
Dec.	1648-1649	—7.0	1656-1648
March	1670-1673	+1.0	1678-1674

Sales: 1,404 (2,531) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for Oct 6: 96.55 (97.17); five-day average for Oct 7: 95.86 (95.76).

COFFEE

After failing to break recent lows during the morning, the market made an impressive recovery, closing up to £85 higher after finding persistent trade buying, reports Drexel Burnham Lambert. The continuing tightness of the nearby delivery positions both in New York and London added support as prices recovered. The market saw a burst of speculative buying at the close.

COFFEE	Yesterday close	+ or —	Business Done
Nov	2300-2305	+83.5	2305-2160
Jan	2257-2258	+75.0	2262-2138
Mar	2180-2185	+60.0	2185-2075
May	2160-2165	+50.0	2165-2070
July	2140-2170	+35.0	2100-2085
Sept	2130-2170	+45.0	—
Nov	2120-2160	+35.0	—

Sales: 5,133 (4,211) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 3: Comp. daily 1979 158.05 (158.75); 15-day average 180.27 (180.94).

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
October	135.3-135.5	—0.40	136.00
Dec.	133.0-133.5	—1.85	—
Feb.	133.8-134.0	—1	—
April	134.5-135.5	—1.75	—
June	133.0-134.5	—1.75	—
August	132.5-133.5	—1	—
October	133.0-135.6	—0.50	—

Sales: 225 (II) lots of 20 tonnes.

GRAINS

Wheat steadied in contrast to the previous week's decline but again attracted sellers following confirmation of further intervention release. Barley eased after a steady start following Spanish intervention barley release rumours. New crops steadied on speculative support reflecting a total lack of offers, reports T. D. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or —	Yest'rdy's close	+ or —
Nov	106.45	[illegible]	106.30	—0.40
Jan	108.75	[illegible]	110.10	—
Mar	111.15	[illegible]	112.15	—0.15
May	113.50	[illegible]	113.40	—0.15
Sep	100.75	[illegible]	101.95	—
Nov	103.50	[illegible]	105.05	+0.75

Business done—Wheat: Nov 107.15-[illegible], Jan [illegible]-1.40, [illegible] Sept [illegible]. Sales: [illegible] lots of 100 tonnes. Barley: [illegible], May [illegible] traded.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 15 per cent: Oct [illegible]. US No. 2 Soft Red Winter: Oct [illegible] Nov [illegible]. English Feed, fob: [illegible] £112.50. [illegible] Jan/[illegible] sellers, [illegible] East Coast. [illegible] trans[illegible] 48.50. [illegible] 12.50-[illegible] Nov [illegible] seller [illegible] March [illegible].

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne): Feed barley: Eastern [illegible] UK [illegible]. The UK monetary coefficient for the week beginning Monday October 13 (based on HGCA calculations using four days' exchange rates) is expected to change to 1.253.

POTATOES

A sluggish UK physical market, [illegible] disappointing Dutch futures due to a [illegible] [illegible] prospect of continuing warm weather caused fresh selling interest. The market fell £3.00, basis April, during the morning and lost a further 70p in thin afternoon trade before bouncing back on the close, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	108.50	108.50	109.00-107.50
Feb	119.50	120.00	—
Apr	162.00	165.00	165.00-164.50
May	185.50	189.50	189.00
Nov	86.00	85.00	—

Sales: 852 (871) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened unchanged, met selling pressure throughout the day and closed quiet and easier, reports Lewis and Peat. Closing prices (buyers): Spot 66.00p (same); Nov 64.50p (64.75p); Dec 64.50p (64.75p). The Kuala Lumpur fob price (Malaysian cents a kilo): RSS No 1 228.5 (same) and SMR 20 204.0 (203.0).

FUTURES—Index 655, Nov 648-658, Dec 648-658, Jan/March 655-666, April-June 667-675, July/Sept 668-680. Sales: Nil.

OIL

Spot crude for October was neglected in very thin trade. November WTI 27c down on Nymex but traded 6c up at 1.30 pm EDT after thin morning trade above the opening levels. The petroleum products market was extremely quiet with traders unwilling to change positions while Opec is meeting—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Oct.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	15.35-15.45*	—0.15
Brent Blend	13.70-13.80	—
W.T.I. (1pm est)	14.80-14.90*	—0.10
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	160-163	—
Gas Oil	117-119	—2
Heavy fuel oil	74-76	—
Naphtha	114-116	—1

* November

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or —	Business Done
Oct	118.25	—2.75	119.00-17.75
Nov	124.00	—2.50	124.75-23.25
Dec	128.50	—2.50	129.50-28.00
Jan	132.50	—2.50	133.25-32.00
Feb	134.50	—3.00	135.50-34.50
Mar	128.50	—3.50	128.50
Apr	124.25	—2.25	—

Turnover: 3,006 (3,290) lots of 100 tonnes.

TEA

At the London tea auction there were 30,643 packages on offer, including 2,800 in the offshore section, reports the Tea Brokers' Association. Selected best Assams ruled firm but the remainder came in for restricted demand with prices 5-10p easier and there were many withdrawals. The first new season's Bangladesh teas sold quite readily close to valuation except for plainer lines. East Africans met fair competition but prices were often 3-5p easier while Central Africans were again well supported and gained 2-4p, sometimes more. Ceylons were well received and medium BOPFs often put on 6-8p, though brokens were still somewhat neglected. Brighter offshore teas were well supported at firm to dearer rates. Quotations: quality 195p nominal (same); medium 155p (163p); low medium 128p (125p).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	778/780	783/725	789/791
Jan.	780/781	785/780	791/792
April	827/830	835/830	838/839
July	738/742	740	748/755
Oct.	840/850	—	850/860
Jan.	850/865	—	850/880
Apr.	946/970	—	950/970
July	840/845	—	836/856
BFI.	794	—	795

Turnover: 215 (119).

	Close	High/Low	Prev.
Tankers			
Oct.	800/850	825	840/860
Nov.	900/940	—	930/950
Dec.	900/975	—	965/975
Mar.	930/955	—	955/975
June	945/955	—	950/980
BTI.	829.5	—	834.5

Turnover: 10 (11).

SUGAR

LONDON DAILY PRICE—Raw sugar $121.50 (£84.00), up 50c (unchanged) a tonne for Oct/Nov delivery. White sugar $173.50, unchanged.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec	125.4-125.8	123.8-124.6	125.4-122.4
Mar	159.2-158.6	156.8-157.6	159.8-156.8
May	145.8-144.6	142.4-142.6	144.4-141.8
Aug	149.0-150.0	146.8-147.8	—
Oct	153.8-154.0	150.8-151.6	152.4
Dec	159.0-161.6	155.8-157.6	—

Sales: 898 (1,877) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £185.50 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for Oct 3: Daily price 4.78 (4.64); 15-day average 4.71 (4.72).

PARIS—(FFr per tonne): Dec 11341 1136. March 1170-1171, May 1210-1216, Aug 1250-1260, Oct 1280-1288, Dec 1315-1328.

COTTON

LIVERPOOL — Spot and shipment sales for the week commencing September 29 amounted to 510 tonnes, against 1,407 tonnes in the previous week. Moderate demand brought purchases mainly in Russian, Colombian, West African, Chinese and Turkish descriptions.

US MARKETS

COFFEE FUTURES found support on continued scale-down producer buying, and moved to a high of 198.20c, basis December, as locals succeeded in triggering stops around 197.50c, reports Heinold. However, the market was thin on tip and December closed at 197.88c. Concern about this year's Brazilian crop is likely to keep prices off last week's lows. Sugar steadied at the close on short-covering by day traders, and deferred months were ahead 0.12c. The market drew most of its support from a weak dollar. Traders started to withdraw ahead of Wednesday's important EEC sugar tender. Soyabean futures continued lower. Selling was led by professionals and commission houses on forecasts of fair weather throughout the week, possibly allowing harvest activity to resume at normal pace.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	51.65	—	—	51.65
Nov	51.75	—	—	51.75
Dec	52.10	52.35	51.70	52.50
Jan	52.15	—	—	52.55
March	52.45	—	—	52.85
May	52.70	—	—	53.10
July	52.95	—	—	53.35
Sept	53.15	—	—	53.55
Dec	53.25	—	—	53.83
Jan	53.45	—	—	53.85

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	41.00	41.00	41.00	40.70

ORANGE JUICE 15,000 lb, cents/lbs

	Close	High	Low	Prev
Nov	107.30	107.60	105.60	105.60
Jan	109.00	109.25	108.30	107.65
March	109.55	109.95	108.90	108.30
May	110.40	110.10	109.90	109.30
July	111.05	111.70	110.00	109.95
Sept	112.00	111.90	111.85	110.90
Nov	112.45	112.00	112.00	111.60
Jan	112.65	—	—	111.25
March	112.75	—	—	111.50

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	264.0	267.0	262.4	268.2
March	259.0	260.4	257.4	261.6
May	246.0	248.4	246.0	248.6
July	236.6	238.4	236.4	239.6
Sept	238.0	—	—	240.6
Dec	247.0	—	—	250.0

SPOT PRICES—Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 576.0 (571.5) cents per troy ounce.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound weaker

THE DOLLAR lost ground in quiet, but nervous trading, as dealers tried to move the US currency lower without giving the West German Bundesbank cause to intervene. The Bundesbank did support the dollar, but not on a large enough scale to reverse the downward trend. No important US economic figures are due for release this week, but the market continued to react to last week's data, and particularly Friday's announcement of higher US unemployment. Signs of sluggish growth encouraged speculation the Federal Reserve will cut its discount rate in the near future. The dollar fell to DM 1.99 from DM 1.9965; to FFr 6.52 from FFr 6.5450; and to Y154.05 from Y154.10, but was unchanged at SFr 1.62. Suggestions that Japan will join the US in cutting its discount rate, and a cut in Swiss interest rates yesterday, kept the dollar fairly steady against the yen and the Swiss franc. On Bank of England figures the dollar's index fell to 109.2 from 109.3.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. September average 1.4711. Exchange rate index fell 0.2 to 68.0, and was quoted at the level throughout, compared with 76.4 six months ago.

Sterling fell to further record lows yesterday on political worries ahead of today's UK money supply figures and the start of the Conservative Party conference, coupled with oil price fears as ministers from the Organisation of Petroleum Exporting Countries met in Geneva. The UK authorities were expected to continue resisting higher bank base rates, at a time which would be particularly embarrassing for the Government, while dealers in London's financial markets remained very nervous about a possible sharp rise in sterling M3 money supply. It was also feared that the Opec meeting may decide on higher production quotas, putting downward pressure on oil prices. The pound fell 35 points to $1.4385-1.4395, to a record low of DM 2.8625 from DM 2.8825; to FFr 9.3825 from FFr 9.44; to SFr 2.33 from SFr 2.3375; and to Y221.50 from Y222.25. The exchange rate index closed at a record low.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9900. September average 2.0496. Exchange rate index 142.1, against 132.0 six months ago.

The D-Mark was firm against the dollar in fairly quiet Frankfurt trading. News that West German industrial production in August fell 0.3 per cent, compared with a revised 0.9 per cent rise in July and that industrial orders fell 0.9 per cent, after rising 0.9 per cent in July, had little impact. The Bundesbank did not intervene at the Frankfurt fixing when the dollar was fixed at DM 1.9942 compared with DM 2.0095 on Friday. In spite of intervention by the Bundesbank on the open market in the afternoon the dollar fell to DM 1.9905 at the Frankfurt close from DM 1.9965.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. September average 154.67. Exchange rate index 215.6 against 195.7 six months ago.

The yen showed little change against the dollar in Tokyo, with the US currency closing at Y154.10 compared with Y154.05 on Friday. It touched a peak of Y154.40 in early trading, but this was below the New York finish on Friday of Y154.50, as the market reacted to expectations of an early cut in the US discount rate. Mr Satoshi Sumita, governor of the Bank of Japan, said again that he has no plans to reduce the Japanese discount rate, but dealers suspected the US and Japan may agree to a co-ordinated interest rate cut in the near future. This limited any downward pressure on the dollar against the yen.

£ IN NEW YORK

Oct 6	Latest	Previous Close
£ Spot	1.4400-1.4410	1.4400-1.4410
1 month	0.48-0.46 pm	0.56-0.55 pm
3 months	1.52-1.48 pm	1.75-1.71 pm
12 months	5.85-5.75 pm	6.30-6.20 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 6	Previous
8.30 am	68.0	68.3
9.00 am	68.0	68.3
10.00 am	68.0	68.3
11.00 am	68.0	68.3
Noon	68.0	68.3
1.00 pm	68.0	68.2
2.00 pm	68.0	68.1
3.00 pm	68.0	68.0
4.00 pm	68.0	68.2

CURRENCY RATES

Oct. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.84559	0.727116
U.S. Dollar	6	1.2177	1.04705
Canadian $	8.60	*	1.44964
Austrian Sch.	4	N/A	14.7644
Belgian Franc	8	N/A	43.2143
Danish Kroner	7	N/A	7.85914
Deutsche Mark	3½	2.4284	2.08362
Neth. Guilder	4½	N/A	2.35523
French Franc	9½	N/A	6.82570
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Oct. 3: 1.6420

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

[illegible]	[illegible]	[illegible]
S. Af. (Fn)	6.5455-6.8575	4.5455-4.7635
U.A.E.	5.2845-5.2895	3.6725-3.6735

* Selling rate.
Correction for October 3 Australia £2.2640-2.2680

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2143	+0.23	+0.90	±1.5368
Danish Krone	7.81701	7.85914	+0.54	+1.21	±1.6403
German D-Mark	2.11083	2.08362	−1.29	−0.62	±1.1127
French Franc	6.87316	6.82570	−0.69	−0.02	±1.3659
Dutch Guilder	2.37833	2.35523	−0.97	−0.30	±1.5059
Irish Punt	0.764976	0.764547	−0.06	+0.61	±1.6683
Italian Lira	1476.95	1443.09	−2.29	−1.96	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4360-1.4445	1.4385-1.4395	0.58-0.55c pm	4.71	1.75-1.70 pm	4.79
Canada	1.9910-1.9970	1.9925-1.9935	0.44-0.34c pm	2.35	1.25-1.10 pm	2.36
Netherlands	3.23¾-3.25½	3.23¾-3.24¾	1½-1¼c pm	5.33	4½-4¼ pm	5.41
Belgium	59.40-59.75	59.40-59.50	19-14c pm	3.33	53-44 pm	3.26
Denmark	10.79-10.86¼	10.79-10.80	½ ore pm-½dis	0.21	1⅞-1⅛ pm	0.56
Ireland	1.0515-1.0565	1.0515-1.0525	0.05pm-0.10dis	−0.29	0.15-0.40 dis	−1.05
W. Germany	2.85¾-2.88	2.85¾-2.86¾	1⅝-1½pf pm	3.14	4⅝-4½ pm	6.29
Portugal	208.58-210.39	208.60-210.15	56-120c dis	−4.73	200-355 dis	−5.30
Spain	189.52-190.50	189.52-189.80	15-40c dis	−2.37	45-110 dis	−1.63
Italy	1979¾-1995	1981-1982	1-4 lire dis	−1.82	1-6 dis	−0.61
Norway	10.51¾-10.56½	10.52¾-10.64¼	4-4½ore dis	−4.79	10⅞-11½ dis	−4.18
France	9.38¾-9.49¼	9.43½-9.44½	1¼-½c pm	1.03	4⅝-3¾ pm	1.77
Sweden	9.84-9.90¾	9.88-9.89	1⅝-1⅛ ore pm	1.82	4⅝-3⅞ pm	1.72
Japan	220¾-222¾	221¼-222¼	1⅛-1y pm	5.74	3¼-3⅛ pm	5.86
Austria	20.17-20.36	20.21-20.24	9⅞-8gro pm	5.45	26⅛-22¼ pm	4.78
Switzerland	2.32¾-2.34¾	2.33¾-2.34¾	1⅝-1¼c pm	7.06	4⅝-3⅞ pm	6.84

Belgian rate is for convertible francs. Financial franc 60.25-60.35. Six-month forward dollar 3.40-3.33c pm. 12-month 6.48-6.33c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4360-1.4445	1.4385-1.4395	0.58-0.55c pm	4.71	1.75-1.70c pm	4.79
Ireland†	1.3639-1.3696	1.3685-1.3695	0.70-0.55c pm	5.49	2.30-2.00 pm	6.29
Canada	1.3837-1.3860	1.3850-1.3860	0.26-0.29c dis	−2.38	0.83-0.89 dis	−2.48
Netherlands	2.2400-2.2595	2.2490-2.2500	0.12-0.09c pm	0.56	0.31-0.27 pm	0.51
Belgium	41.25-41.50	41.25-41.35	4-6c dis	−1.45	14-18dis	−1.55
Denmark	7.50½-7.54¾	7.50-7.59½	1.85-2.35ore dis	−3.25	5.65-6.15dis	−3.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.65-41.75.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: Two years 6¼-6⅜ per cent; three years 7-7⅛ per cent; four years 7¼-7⅜ per cent; five years 7½-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	77.38	3.278	0.814	1.131	692.2	0.696	20.77
[illegible]	1000	42.36	10.52	14.62	8946	8.998	268.4
F Fr.	236.1	10	2.483	3.451	2112	2.124	63.36
S Fr.	95.06	4.027	1	1.389	850.4	0.855	25.52
H Fl.	68.42	2.898	0.720	1	612.0	0.616	18.36
Lira	111.8	4.735	1.176	1.634	1000	1.006	30.00
C $	111.1	4.708	1.169	1.624	994.2	1	29.83
B Fr.	372.6	15.78	3.919	5.446	3333.	3.352	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg-Fr per 100.

FINANCIAL FUTURES

Gilts and pound deposits weak

STERLING BASED futures finished on a weaker note in the London International Financial Futures Exchange yesterday. Values were marked up initially but came back later in the day in the absence of any real trend. Attention was focused on today's release of UK money supply figures which are likely to be a key influence in market sentiment.

Early projections by City analysts were generally bearish, pointing to a rise in sterling M3 of up to 4 per cent or 5 per cent. However the authorities' resistance to higher base rates and Friday's tap stock issues tended to suggest that the figures may not be as bad as expected. But this left the market less than impressed with dealers suggesting that the proximity of the Conservative Party conference may have created a greater desire to resist a rise in rates just now. Against this background and sterling's fall to a record low against the D-mark and on its exchange rate index, values finished towards the day's lows.

Three-month sterling deposits for December delivery opened at 89.24 and rose to 89.28 before being sold off to a low of 89.03. It closed at 89.04 down from 89.12

Long gilts acted in much the same way, opening at 111-06 for December delivery, which proved to be the day's high before slipping away to a low of 110-05.

Three-month Euro-dollar deposits were generally firmer as the market quietly returned to hopes of another cut in the discount rate. The overall lack of any real outcome to the recent meeting of finance ministers in Washington tended to re-focus attention on economic fundamentals and Friday's rise in US unemployment estimates underlined the sluggish nature of the US economy. Euro-dollar prices opened at 94.23 for December and moved up to a high of 94.25 on steady buying, staying there for a while after the start of trading in Chicago. However, there was a general lack of follow through and prices were marked down to a close of 94.23, still up from 94.16 on Friday.

US Treasury bonds opened at 97-09 and touched 97-15 in the morning. A high of 97-17 was seen after the start of trading in Chicago but once again a lack of follow through encouraged some selling and this triggered stop losses down to a low of 96-30. It closed at 97-04 against 97-07 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
106	5.17	6.25	—	—	0.45	1.57	—	—
108	3.52	5.09	—	—	1.16	2.41	—	—
110	2.40	4.03	—	—	2.04	3.35	—	—
112	1.45	3.08	—	—	3.09	4.40	—	—
114	1.03	2.23	—	—	4.31	5.55	—	—
116	0.38	1.47	—	—	6.02	7.15	—	—
118	0.21	1.17	—	—	7.49	8.49	—	—
120	0.10	0.57	—	—	9.38	10.25	—	—

Estimated volume total, Calls 755 Puts 200
Previous day's open int. Calls 19,767 Puts 5,541

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept	Puts—Last Dec.	Mar	June	Sept
88	9.12	9.20	—	—	0.04	1.06	—	—
90	7.20	7.52	—	—	0.12	1.38	—	—
92	5.35	6.28	—	—	0.27	2.14	—	—
94	3.63	5.15	—	—	0.53	3.10	—	—
96	2.44	4.11	—	—	1.36	3.61	—	—
98	1.45	3.18	—	—	2.37	5.04	—	—
100	0.63	2.34	—	—	3.55	6.20	—	—
102	0.34	1.59	—	—	5.26	7.45	—	—

Estimated volume total, Calls 96, Puts 14
Previous day's open int. Calls 615 Puts 833

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.30	13.95	13.95	13.95	13.95	—	0.03	0.19	1.07
1.35	8.95	8.95	8.95	8.95	—	0.24	0.75	2.33
1.40	3.95	4.35	4.78	5.29	0.02	1.17	2.13	4.34
1.45	0.37	1.67	2.30	3.13	1.50	3.49	4.65	7.18
1.50	—	0.45	0.92	1.70	6.13	7.27	8.27	10.75
1.55	—	0.08	0.30	0.85	11.13	11.90	12.65	14.90
1.60	—	0.01	0.08	0.40	16.13	16.83	17.43	19.45

Estimated volume total, Calls 48 Puts 0
Previous day's open int. Calls 2,383 Puts 3,162

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.35	—	—	19.80	18.50	—	—	1.50	2.20
1.40	4.20	4.85	5.20	6.00	0.15	1.10	2.00	4.40
1.45	0.55	1.95	2.50	3.55	1.50	3.25	4.40	7.15
1.50	0.05	0.65	1.05	2.00	6.20	6.90	7.95	10.60
1.55	0.05	0.25	0.45	1.10	11.20	11.45	12.30	14.65
1.60	—	—	0.30	0.65	—	—	17.05	19.10
1.65	—	—	0.70	1.50	—	—	18.70	20.20

Previous day's open int: Calls 2,609, Puts 1,928
Volume: 6

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.30	—	—	13.70	—	—	—	0.20	2.10
1.35	8.80	—	18.70	9.00	—	—	0.60	2.10
1.40	3.80	4.30	4.70	15.50	—	0.95	1.80	4.00
1.45	0.25	1.45	2.05	2.95	1.40	3.10	4.25	6.70
1.50	—	0.30	0.70	1.65	5.80	6.80	8.00	10.10
1.55	—	0.05	0.20	0.75	10.80	11.30	12.10	14.30
1.60	—	—	0.05	0.35	15.80	16.30	16.90	18.60

Previous day's open int: Calls 87,274 Puts 40,274
Previous day's volume, Calls 3,305 Puts 1,150

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
93.00	1.23	1.18	1.06	—	0.00	0.05	0.15	—
93.25	0.99	0.96	0.86	—	0.01	0.08	0.20	—
93.50	0.75	0.76	0.68	—	0.02	0.13	0.27	—
93.75	0.53	0.57	0.52	—	0.05	0.19	0.36	—
94.00	0.34	0.41	0.39	—	0.11	0.28	0.48	—
94.25	0.19	0.28	0.27	—	0.21	0.40	0.61	—
94.50	0.09	0.17	—	—	0.36	0.54	—	—

Previous day's open int: Calls 1,334 Puts 1,592
Estimated volume, Calls 0 Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	110-18	111-06	110-05	110-23
March	110-16	—	—	110-20
June	110-16	—	—	110-20

Est volume 5,764 (13,174)
Previous day's open int. 13,336 (13,517).
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT

[illegible]

THREE-MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE-MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS

[illegible]

CURRENCY FUTURES

	Close	High	Low	Prev
Dec.	1.4255	1.4275	1.4250	1.4275
Mar.	1.4090	1.4100	1.4070	1.4105
June	1.3910	—	1.3910	1.3955
Sept.	—	—	—	1.3845

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.4265	1.4275	1.4275	1.4295
Mar.	1.4095	—	—	1.4120
June	1.3940	—	—	1.3965

Estimated volume 3 (215)
Previous day's open int 913 (813)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec.	97-05	97-18	97-04	97-06
March	96-06	96-18	96-06	96-07
June	95-06	95-17	95-06	95-06
Sept.	94-07	94-16	94-07	94-07
Dec.	93-12	93-18	93-12	93-11
March	—	—	—	92-18
June	—	—	—	91-27
Sept	—	—	—	91-06
Dec.	—	—	—	90-20

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	—	—	—	93.90
Dec.	—	—	—	94.56

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.23	94.25	94.21	94.20
Mar.	94.12	94.16	94.12	94.10
June	93.90	93.93	93.90	93.87
[illegible]	[illegible]	[illegible]	[illegible]	93.54
[illegible]	[illegible]	[illegible]	[illegible]	93.15
[illegible]	[illegible]	[illegible]	[illegible]	92.75
[illegible]	[illegible]	[illegible]	[illegible]	92.36
[illegible]	[illegible]	[illegible]	[illegible]	91.99

U.S. TREASURY BILLS (IMM)

[illegible]

STANDARD & POORS 500 INDEX (IMM)

	Latest	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	232.40
March	—	237.20	232.80	233.50
June	236.80	238.10	234.00	234.55
Sept.	237.80	239.10	235.10	235.80

MONEY MARKETS

Uncertainty ahead of money figures

UK INTEREST rates were a little lower compared with Friday but finished above the day's lows as sterling lost ground. Today's UK money supply figures were regarded as holding the key to money sentiment with recent comments suggesting that early forecasts may have been a little too bearish. However traders remained rather nonplussed, pointing out that while sterling remained weak and market confidence remained low, there was still little change in sentiment.

UK clearing bank base lending rate 10 per cent since May 22

Three-month interbank money finished at 10 13/32-10 11/32 per cent, up one eighth of a point from earlier in the day but down from 10⅞-11 per cent on Friday. Overnight money started at 8¼-8½ per cent and touched a high of around 13 per cent before finishing at 7½ per cent.

The Bank of England forecast of shortage of around £250m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £395m and Exchequer transactions a further £35m. In addition banks brought forward balances £100m below target. These were partly offset by a fall in the note circulation of £310m. The forecast was revised to a shortage of around £400m and the Bank gave assistance in the morning of £232m through outright purchases of £8m of eligible bank bills in band 2 at 9 13/16 per cent and £226m in band 4 at 9 11/16 to 9¾ per cent.

The forecast was revised once more to a shortage of around £450m, without taking into accont the morning help and the Bank gave additional assistance in the afternoon of £107m through outright purchases of £74m of eligible bank bills in band 2 at 9 13/16 per cent, £23m in band 3 at 9¾ per cent, and £10m in band 4 at 9 11/16 per cent. Late help came to £50m, making a total of £389m.

In Frankfurt the Bundesbank announced its intention to offer fresh liquidity to the money market through two sale and repurchase agreements. Of 28 and 56 days' duration, the two agreements will have fixed rates of 4.35 per cent and 4.40 per cent respectively with successful applicants receiving their allocations tomorrow. This will coincide with two maturing facilities which together will drain DM 14.8bn from the market. The rates fixed for the new agreements were unchanged from previously and underlined the authorities' desire to keep interest rates steady for the time being.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	6¾-7
Fed. funds	5¾
Fed. funds at intervention	5¾

Treasury Bills and Bonds

One month	4.87	Three year	6.38
Two month	4.99	Four year	6.62
Three month	5.17	Five year	6.71
Six month	5.36	Seven year	7.07
One year	5.55	10 year	7.26
Two year	6.12	30 year	7.52

Oct. 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.10-4.20	4.45-4.60	4.45-4.60	4.45-4.60	4.45-4.60	5.5
Paris	7⅛	7⅜-7½	7⅜-7½	7⅜-7½	7⅜-7½	7
Zurich	⅞-1¼	3 7/16-3 9/16	—	3⅞-4	—	—
Amsterdam	5 3/16-5¼	5⅜-5½	—	5¼-5⅜	—	—
Tokyo	4.65625	4.71875	—	4.84375	—	—
Milan	10⅞-11¼	10⅞-11⅛	—	10⅞-11⅛	—	—
Brussels	6.85	7 3/16-7 5/16	—	7¼-7⅜	—	—
Dublin	9¾-10	11-11½	12-12½	12¼-12¾	13-13½	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 6) 3 months U.S. dollars		6 months U.S. dollars	
bid 5 13/16	Offer 5 15/16	bid 5 13/16	Offer 5 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 6	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 6, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.07
Algeria	Dinar	6.6672
Andorra	French Franc	9.3825
	Spanish Peseta	189.66
Angola	Kwanza	44.963
Antigua	E. Caribbean $	3.89
Argentina	Austral	1.5495
Ghana	Cedi	209.163
Gibraltar	Gibraltar £	1.0
Greece	Drachma	192.57
Greenland	Danish Krone	10.7950
Grenada	E. Caribbean $	3.89
Guadaloupe	Local Franc	9.3825
Guam	U.S. $	1.4390
Panama	Balboa	1.4390
Papua New Guinea	Kina	1.3935
Paraguay	Guarani	345.24 (10)
		884.68 (7)
Peru	Inti	exc(A)20.05
Philippines	Philippine Peso	28.92
Pitcairn Islands	£ Sterling	—
[illegible]	[illegible]	[illegible]

[illegible]

Correction for September 29, Uruguay Peso, 235.06.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99¼	94⅞	Exch. 2½pc 1986	99¾	.....	2.52	9.51
102½	100⅛	Exch. 13½pc 1987	100⅛	+⅛	13.18	10.78
100¾	97⅞	Treas 10¼pcCv '87	99¾	+⅛	10.28	10.71
98	92½	Exch 2½pc 1987	98	+⅛	2.54	7.80
101⅝	97¼	Exch. 10½pc 1987	99¾xd	+⅛	10.53	11.06
98¾	93¾	Funding 6½pc 85-87	98¼xd	+⅛	6.61	9.84
101¼	96⅞	Treas. 10pc 1987	99⅛	+⅛	10.07	10.98
97⅛	90⅞	Treas 3pc 1987	96¼	+⅛	3.11	8.12
104⅞	99⅞	Treas. 12pc 1987	100⅞xd	+⅛	11.90	11.17
99⅛	92½	Treas 7¾pc 1985-88‡‡	96⅞	+⅛	8.00	10.34
104	96⅛	Exch 10½pc '88	99⅛xd	+⅛	10.60	11.24
102⅝	95⅛	Treas 9½pc Cv '88	97⅞	+⅛	9.96	11.16
94⅛	86⅝	Transport 3pc '78-88	91¼	+⅛	3.28	8.56
102⅝	93½	Treas. 9½pc '88	96½xd	.....	9.80	11.23
107⅛	98⅛	Treas 11½pc 1989	100⅛	+⅛	11.46	11.30
103⅝	93⅛	Treas 9½pc Cnv 1989	96⅛xd	+⅛	9.89	11.35
92⅛	82⅞	Treas 3pc 1989	87⅛	+⅛	3.42	8.47
105⅞	95⅞	Treas 10½pc 1989	98	+⅛	10.71	11.36
104⅛	94⅛	Exch.10pc 1989	96⅞	+⅛	10.33	11.34
107⅛	97	Exch 11pc 1989	99⅞	+⅛	11.08	11.28
93⅛	84⅛	Treas 5pc 1986-89	88¼xd	+⅛	5.63	9.37
110⅛	94⅝	Exch 10½pcCv '89	100⅞	+⅛	10.21	10.10
114⅛	103⅛	Treas 13pc 1990‡‡	104⅞	+⅛	12.46	11.32
106⅛	97⅛	Exch 11pc 1990‡‡	99⅛	+⅛	11.09	11.28
113⅛	101⅞	Exch. 12½pc 1990	103⅛	+⅛	12.10	11.33
89⅛	79⅛	Treas. 3pc 1990	83½xd	+⅛	3.58	8.48
100⅛	89⅛	Treas 8¼pc 1987-90‡‡	94	+⅛	8.79	10.22
106⅛	93	Treas. 10pcCv 1990	95⅛xd	+⅛	10.45	11.37
86⅛	76⅛	Exch 2½pc 1990	80	+⅛	3.12	8.92
112⅛	99⅞	Treas 11¾pc 1991	101¼	+⅛	11.60	11.33
94⅛	83⅛	Funding 5¾pc '87-91‡‡	87½	+⅛	6.57	9.21
86⅛	79⅛	Treas. 3pc 1991●	79⅞	+⅛	3.76	8.40

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or −
37½	28¾	Chemical New York	30	.....
35⅛	26⅛	Chesebrough-Pond's $1	31	−½
31¾	19⅛	Chrysler $6¼	25⅝	−⅛
42⅛	33½	Citicorp $4	34⅛	−⅛
12⅛	774p	CityFed Fin. Corp.	10⅛	−⅛
28⅛	21⅛	Colgate-P. $1	26⅛	+⅛
67	42⅛	Colt Inds. $1	67⅛	+⅛
25	16⅛	Cons Freightways $0.625	24⅛	.....
819p	379p	Contl Illinois Corp $1	451p	+18
89⅛	13⅛	Cont Illinois Hldgs $1	22p	+5½
83p	39p	♦Corporate Data Scnce.	83p	.....
13⅛	459p	Crilliant Silver $0.1	468p	+1
287p	34p	Damson Oil 40c	63p	−6
23⅛	17⅛	Data Corp. $1	19⅛	−½
33⅛	19⅛	Data General	19⅛	−½
24⅛	8⅛	♦Derma-Lock Medicl	10p	.....
79	55⅛	Dun & Bradstreet $1	69⅛	.....
52⅛	42⅛	Eaton Corpn. 50c	47⅛	−⅛
25⅛	18⅛	FPL Group $0.01	21½	+⅛
13⅛	625p	Fairmont Fin.	12⅛	+⅛
11½	497p	Fin. Corpn. Amer. 50c	512p	−17
23⅞	17⅛	First Chicago $5	18⅛	+⅛
42⅛	25⅛	Ford Motor $2	37⅛	−½
28⅛	20	GATX 62½c	21⅛	−⅛
54⅛	47⅛	Gen. Elect. $1¼	49⅛	−⅛
16⅛	612p	♦General Host Corp $1	954p	+78
32⅛	24	Gillette $1	26⅛	+1
15⅛	10	Gt Am First Svgs Bk $1	12⅛	.....
31⅛	23⅛	Gt. Western Fin. $1	29	+⅛
25⅛	18⅛	Greyhound $1.50	23	+⅛
20⅛	11⅛	Hasbro Inc $0.50	19⅛	−⅛
57⅛	42	Honeywell $1.50	48⅛	−⅛
28	22⅛	Hospital Corp Am $1	25⅞xd	−⅛
24⅛	19⅛	Houston Inds Incl	22⅛	+⅛

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Cvr	Yld Gr's
42	19½	Anglo Utd Dev.	25		—	—	—
80	27	♥Colby Res Corp.	38	+1	—	—	—
300	115	Cons. Murch. 10c	£1¾		Q100c	♦	16.6
34	24	♥Essex Int. W10p	24		—	—	—
144	70	Greenwich Res	136	−8	—	—	—
157	93	Hampton Areas 10p	146		♦1.0	—	1.0
327	165	♥Highwood Res	238		—	—	—
£20¾	£13⅞	Homestake Mining $1	£19⅛	−⅛	Q20c	—	0.7
310	156	♥♦McFinley Red Lake	195		—	—	—
285	144	♥Minstr Explorations	218	+10	—	—	—
51	28	♥New Sabina Res C$1	35		—	—	—
326	200	Northgate C$1	326	+21	—	—	—
790	513	RTZ	667	+8	22.0	2.4	4.7
£164	£115	Do. 9⅞pcLn '95-2000	£137¼	+1½	Q9½%	15.5	(7.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ⁂ Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60xd	+2	Fin. 13% 97/02	£97¾	.....
Craig & Rose £1	£13½	.....	Ardotts	270	+5
Finlay Pkg. 5p	47xd	.....	CPI Hldgs.	43	.....
Holt (Jos) 25p	420xd	.....	Carroll Inds.	108	.....
Ioll Stm. £1	75	.....	Dublin Gas	30	.....
			Nall (R. & H.)	80	.....
IRISH			Helton Hldgs.	29	.....
Fund 11¼% 1988	£98¼xd	.....	Irish Ropes	95xd	.....
Nat. 9¼% 84/89	£92¾	.....	Unidare	235	+5

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(International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declara-tions	Last Dealings	Account Day
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20
Oct 11	Oct 23	Oct 24	Nov 3

*"New-time" dealings may take place from 9.30 am two business days earlier.

Markets more hopeful ahead of money supply data with equities higher in thin trading

London's financial securities markets took heart from strong hints in the financial press that UK money supply data, due at 2.30 pm today, will prove more favourable than expected, and thus reduce pressures for higher domestic interest rates.

The Government Broker was able sell some of all three of the new "taplet" stock announced on Friday, although demand for long-dated gilts soon died away. Turnover in equities was thin, but blue chips moved up sharply.

The suggestions in the press that City forecasts of 3 per cent growth in sterling M-3 would prove "much too high" strengthened the market's conviction that pressures for higher rates will be resisted firmly as the Conservative Party conference upfolds this week. Weakness in sterling was offset, from the market's point of view, by further help from the authorities for the domestic money markets.

Government bonds opened ¼ to ½ point higher, and the new taplet stocks were operated at mid-session. Small amounts of the 10pc Treasury Conversion were sold at £95¾, of the 9 pc Treasury Conversion at £88⅝ and of the 8pc Treasury 2009 at £80⅝. But gilt-edged then list impetus, and by the close, long-dated issues were little changed from Friday and gains in the shorts had been trimmed to ⅜. The FT Government bond Index ended 0.01 down at 82.7.

The stock market looked very firm, but traders were quick to warn that trading in many stocks was thin, and the City will be waiting keenly for today's money supply data. The FE-SE 100 index closed 18.1 up at 1578.9, at virtually the day's best. The FT Ordinary Index, at 1251.2, showed a gain of 17.2.

There was further demand for Beecham as further meetings were scheduled with brokerage analysts and the investment press. But the strongest gains came in such stocks as Fisons, Reuter and Saachi and Saachi, all noted for being narrow markets on occasions. One dealer commented that, on seeking to deal in 10,000 Reuter shares, he was quoted a price in only 2,000.

Kleinwort Benson up

A week-end Press report that Kleinwort Benson is on the verge of selling part of its near-42 per cent stake in M & G Group, one of the UK's largest fund managers, left Kleinwort's 10 higher at 475p. Elsewhere in merchant banks, Mercury International forward 5 at 300p, but Hill Samuel relinquished that much at 325p. The recently dull Morgan Grenfell were marked down to 395p ahead of the interim figures and then rallied to 403p following news of the 50 per cen half-year profits increase to £51.1m before ending the session a few lower on balance at 400p. Hambros, in which the Institute Bancario San Paulo Di Torino last week acquired a "frinedly" 6.44 per cent stake at 265p per share, declined 5 to 225p after profit-taking. Elsewhere, Equity and General firmed 2½ to 28½, after 29p, in response to an investment recommendation.

Composites revived with General Accident, at 802p, GRE at 782p, Royals, at 772p, and Sun Alliance, at 662p, all closing 8 higher. Life issues also fared well. Sun Life put on 13 at 887p and Legal and General improved 8 at 241p.

Electronics group Radamec made a quiet debut in the Unlisted Securities Market, the price fluctuating narrowly prior to settling at the placing price of 90p.

Recently depressed leading Buildings staged a tentative recovery as interest rate anxieties eased. Most stocks managed to push forward a few pence although business was at a relatively low ebb. Redland attracted occasional interest ahead of US presentation due later this week and firmed a couple of pence to 379p. Blue Circle, however, also due to meet analysts in the US in the next few days, shaded to 550p. BPB Industries traded firmly at 443p, up 8, while RMC gained the same amount at 630p John Mowlem slipped 4 to 380p following mildly disappointing interim results, but Turriff improved 4 to 160p following the return to profitability at the half-way stage and optimistic statement. Condor International moved up 13 to 131p in reply to newsletter comment, but last week's star performer Helical Bar encountered profit-taking and slipped 5 to 308p. Among Timbers, Magnet and Southerns found support at 182p, up 6.

Chemicals presented a generally firm appearance. ICI edged up ⅛ to £11, while Laporte, 368p, rose 7 to 370p, and Brent firmed 5 to 142p. James Halstead added 3 to 168p following details of increased annual profits and bigger dividend.

The announcement that Cable and Wireless are part of a consortium examining the feasibility of establishing an alternative international telecommunication system for Japan induced renewed support for the shares whichadvanced steadily to close 17 up at the day's best of 304. Other Electrical majors performed well with Thorn EMI to the fore at 469p, up 13. Plessey added 6 at 180p as did STC, at 146p, while BICC firmed at 240p and GEC improved 4 to 170p. Elsewhere, Audio Fidelity reflected revived speculative support at 68p, up 12, while MK rose 10 to 350p in response to press comment. Memec closed 11 dearer at 223p and Molynx finished 6 better at 80p. Telephone Rentals held at 180p awaiting today's interim results.

F. S. Ratcliffe revived among secondary Engineerings, rising 20 to 180p in response to press comment. Brooke Tool also reflected newspaper mention with a rise of 3 at 38p, while speculative buying prompted a gain of 6 to 86p in Camford and a rise of 4½ to 47½p in Hampson Industries. Hallite put on 10 to 185p, but Stothert and Pitt ended 10 lower at 153p following news of the increased interim deficit. Among the quietly firm leaders, GKN moved up 3 to 254p and Hawker gained 4 at 441p.

The Food leaders moved higher following a squeeze on professional bear positions. Cadbury Schweppes, boosted by US demand, firmed 4 to 177p and Rowntree Mackintosh gained 5 to 390p in sympathy. Press comment induced support for United Biscuits, 4 better at 222p and ASDA-MFI, the same amount higher at 154p. Bright spots among the second liners included Cheshire Wholefoods, 12 up at 212p and Meat Trade Suppliers, 7 dearer at 120p.

Grand Metropolitain were strong amid vague bid rumours and a sizeable traded option business, the price touched 438p prior to closing a net up at 433p. Trusthouse Forte, dull on Friday following the referral to the Monopolies Commission of the acquisition of certain catering interests from Hanson Trust, rallied 3 to 153p. Crusts hardened a penny to 110p following Friday's agreed share-exchange offer, worth some £8m, from Kennedy Brookes.

Stores improve

Hopes that a rise in bank base lending rates can be avoided—at least for the time being—stimulated a reasonable business among leading Stores. A tentative rally at the outset gathered pace, helped in some places by favourable comment in the weekend Press, and most counters finished at or around the day's best. Marks and Spencer, 195p, and Harris Queensway, 212p, rose 6 apiece, while Storehouse, hit harder than most in the sector's recent shake-out, put on 7 to 300p, after 303p. Sears, scheduled to reveal interim figures today, improved a few pence to 112p. Further consideration of last week's trading statements—regarded as rather uninspiring at the time—lifted Laura Ashley 5 to 178p, and Etam, 6 to 240p, while recovery prospects aided S. R. Gent, finally 6 up at 56p. S. Casket hardened the turn to 57p following news of a boardroom reshuffle and confirmation that Kingsley and Forester has sold its 5.18 per cent stake in the company. USM-quoted Smallbone advanced 10 to 165p following details of the proposed acquisition of And-So-To-Bed, a specialist retailer of beds and bedroom furniture. Charlie Browns Car Part Centres, also quoted on the USM, rose a couple of pence to 165p in response to the preliminary results.

Beecham better

Beecham were once again prominent among the miscellaneous industrial leaders, rising 12 to 418p following a weekend Press report that a management buy-out team could soon emerge as buyers of the group's international home improvement business. Glaxo rose 7 to 950p and Pilkington appreciated 10 to 438p; the latter following suggestions that Owens-Corning Fibreglass of the US is on course to acquire two of the group's subsidiaries. Rank Organisation attracted late US support and closed 22 higher at the day's best of 499p and Boots improved 4 to 232p, the latter with the help of Press comment. Elsewhere, Reuters revived 13 to 496p and Hestair reflected bid hopes with a rise of 13 to 161p. British Aerospace, a strong market last week on hopes of substantial benefits arising from the Airbus Industrie/Northwest Airlines airbus deal, gained 11 more to 476p. Noble and Lund added 8 to 118p on speculative support and Black Arrow rose 6 to 143p. Wedgwood closed 18 to the good at 396p.

Still boosted by the "Phanton of the Opera" musical money spinner, Really Useful Group rose a further 13 to 403p.

Awaiting the launch of the new XJ series, domestic and US investors showed interest in Jaguar and the price rose 16 to 548p. Among Components, Dowty were supported and gained 5 to 203p, and Lucas Industries eased 2 to 498p. A report thaa Turner and Newall could be poised to renew its bid for AE, given that permission of the Takeover Panel, encouraged light demand and brought a close of 2 higher of 216p in AE. Elsewhere, Lex Service improved 7 to 314p.

Paper/Printings unusually lacked interest, although Bunzl gained 5 to 198p. Michael Peters slipped immediately after news of lower annual earnings, but picked up from 128p to settle slightly harder on balance at 131p. Among Advertising Agencies, Saatchi and Saatchi recovered 15 further to 610p, while Lowe Howard-Spinks rose 12 to 375p.

Gilbert House proved to be the Property sector's outstanding performer, the price soaring from Friday's closing level of 20p to 65p at one stage before settling down at 61p, a net gain of 41 on the day. Control of the company passed to Mr Nigel Wray, who has acquired a near 80 per cent holding at 18.875p per share from Mr T. F. Parrett, Mrs J. B. Parrett and Letts Green Estate and, through Singer and Friedlander, is bidding for the remaining shares at that price. Mr Wray intends to place some of his stake with associates. Elsewhere, occasional buying interest lifted Great Portland Estates 6 to 164p and left Property Holding and Investment 5 dearer at 142p. Buyers also favoured London and Edinburgh which rose 15 to 665p, while further speculative support was forthcoming for Phoenix Property, 3 up at 72p.

Milford Docks continued to fluctuate, and on this occasion gave back 7 of Friday's gain of 12 to end at 41p. Mersey Docks eased 1 to 28p on lower interim profits.

Courtaulds were the focal point in Textiles, rising 6 to 283p. S. Jermore were similarly higher at 92p following good first-half results and statement that the group will achieve further record profits this year.

Talk that Rothmans were negotiating a Canadian deal with Philip Morris coupled with a broker's "buy" recommendation, aroused persistent buying and the shares jumped 9 to 148p.

Speculation that Belzberg family interests were still making overtures to the Bank of England for permission to increase their stake in Exco to over 10 per cent stimulated further business and the price rose 5 to 235p. Mercantile House put on 7 to 259p.

Oils mark time

The Oil majors fluctuated narrowly awaiting news from the Opec meetings which started yestrday in Geneva. BP were finally a couple of pence dearer at 683p, but Shell closed a few pence cheaper at 908p, having ben down to 903p at one stage. Late demand left Briteil 2 firmer at 125p, but profit-taking in the absence of any bid cut 7 from IC Gas, at 483p. Elsewhere, Cluff Oil jumped to 56p following comment on its Zimbabwe gold discovery before easing back to close 2 cheaper on balance at 45p. Irish explorer Conroy attracted support and rose 15 to 200p.

Polly Peck went with the general trend to close 5 up at 150p. Plantations drew scattered inquiries and Grand Central improved 4 more to 80p, while Highlands and Lowlands added 3 at 52p.

South African mining markets traded in extremely subduded fashion. A slightly easier opening in Johannesburg—the Rand's firmer showing against the dollar, which reduces the domestic value of gold exports, inhibited foreing participation—set the tone for business value in other major centres. Apart from Switzerland which provided occasional support for top-quality Golds, dealers reported little action.

Sterling quotations, howevere, were lower across the board reflecting another unsettled performance by the pound. Losses among heavyweight Golds extended to over 2 points as in Randfontein, £69½, while Western Deep fell 1⅛ to £27⅛. Smaller-priced Golds showed Blyvoor 25 off at 360p and Grootvlei 14 cheaper at 269p. The FT Gold Mines index cosed 12.4 points off at 316.2.

South African Financials mirrored Golds with De Beers finally 13 off at 482p and "Anamint" 3 lower at £52½. "Amgold" slipped ⅝ to £52½, while Gold Fields of Souht Africa closed 35 down at 877p. London-registered Financials, on the other hand, put on an encouraging performance, partly reflecting the strength of equities and steady base metal prices. Consolidated Gold Fields, still surrounded by vague bid chatter, improved 13 to a year's peak of 604p, while RTZ put on 8 to 667p. Greenwich Resources, in contrast, dipped 8 to 136p following news that Prudential has reduced its holding to 6.86 per cent; Greenwich rose sharply last week following bullish reports from the Gebeit prospect.

A strong overnight tone from Melbourne—Sydney was closed for the Labour Day holiday—stimulated good demand for Australian mines. Western Mining led the way and rose 8 to 215p, while CRA, 342p, and North Broken Hill, 116p, put on 4 and 5 respectively. Golds also fared well with Poseidon 9 up at 193p and Gold Mines of Kalgoolie 15 to the good at 663p. ACM spurted 14 to 176p, while Great Victoria, the subject of persistent "call" option business recently, improved 3½ to 48p. Newsletter comment lifted Thames Mining 1½ to 19¼p.

Traded Options

Traded Options attracted 20,560 contracts—15,767 calls and 4,793 puts. As on Thursday of last week, operators centred their attentions on Grand Metropolitan which attracted an extremely lively business amid fresh speculation of an impending bid; GM recorded 3,097 calls, of which over 2,000 were transacted in the October 420's. Boots were also active with 1,043 calls and 223 puts struck. The FT-SE 100 contributed 511 calls and 1,091 puts.

Traditional Options

- First dealings Oct 6 Oct 20 Nov 3
- Last dealings Oct 17 Oct 31 Nov 14
- Last declaration Jan 8 Jan 22 Feb 5
- For Settlement Jan 19 Feb 2 Feb 16

For rate indications see end of Unit Trust Service

Money was given for the call of Blackwood Hodge, Cluff, York and Equity, TV-am, Norfolk Capital, Glanfield Lawrence, Pearl, Fergabrook, Sandell Perkins, Abaco Investments, Riley Leisure, Raine Industries, Fine Art Developments, Britoil, Boots, Tozer Kemsley and Millbourn, Gilbert House, Epicure, Ernest Jonezs (Jewellers) and F. J. C. Lilley. A put was done in Fairline Boats, but no doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Oct. 6	Oct. 3	Oct. 2	Oct. 1	Sept. 30	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.74	82.75	82.30	82.83	82.89	84.16	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.00	†89.98	†90.25	†90.10	†89.98	89.89	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,251.2	1,234.0	1,246.0	1,251.7	1,227.0	1,012.4	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	316.2	328.6	317.2	321.5	319.0	287.4	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.44	4.49	4.45	4.43	4.52	4.71				
Earnings Yld.%(full)	10.18	10.30	10.20	10.17	10.37	11.52				
P/E Ratio (net) (*)	12.04	11.91	12.02	12.06	11.83	10.74				
Total Bargains (Est)	20,940	22,126	21,426	22,147	20,720	21,718				
Equity Turnover £m.	—	445.02	531.22	459.22	663.64	535.58				
Equity Bargains	—	17,308	18,749	17,729	18,307	25,432				
Shares Traded (ml).	—	212.7	248.2	213.1	281.4	179.5				

S.E. ACTIVITY

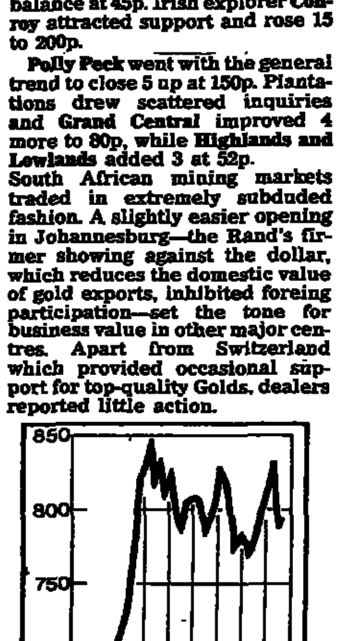
Indices	Oct. 3	Oct. 2
Gilt Edged Bargains	119.9	126.4
Equity Bargains	112.1	121.5
Equity Value	899.5	1073.7
5-Day Average		
Gilt Edged Bargains	131.8	131.5
Equity Bargains	115.8	122.5
Equity Value	1071.9	1193.7

♥ Opening 1236.9 | 10 a.m. 1242.6 | 11 a.m. 1245.7 | Noon 1248.8 | 1 p.m. 1250.6 | 2 p.m. 1251.7 | 3 p.m. 1250.9 | 4 p.m. 1250.3

Day's High 1251.8. Day's Low 1236.9.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.56. †Corrections.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026



YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Boots	232	+ 4	Hestar	161	+13
Brit Aerospace	476	+11	Jaguar	547	+16
Cable & Wireless	304	+17	Legal & General	241	+ 8
Cluff Oil	45	− 2	Marks & Spencer	195	+ 6
GKN	254	+ 3½	Prudential	792	+ 5
Harris Queensway	212	+ 6	Storehouse	300	+ 7

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri's close	Day's change	Stock	No. of changes	Fri's close	Day's change
Glaxo	16	943	−22	Brit. Aerospace	12	465	+ 7
BP	15	681	− 7	Boots	11	228	+ 3
Hambros	15	230	− 8	Britoil	11	123	− 5
Cluff Oil	14	47	+11	Cons. Gold Flds.	11	591	+12
Jaguar	14	531	+ 3	Ealing Electro	11	114	+ 1
Buckley's Brew	13	119	+ 5	ICI	11	£10⅞	—

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	15	46
Corporations, Dom., and Foreign Bonds	24	6	39
Industrials	382	210	936
Financial & Properties	122	74	383
Oils	28	23	61
Plantations	6	0	8
Mines	51	56	77
Others	77	65	50
Totals	742	449	1,600

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (65)

AMERICANS (2) Colt Inds, Sperry Corp. CANADIANS (1) Goliath Gold Inland Natural Gas. BANKS (1) Banco Central. BUILDINGS (2) Anglia Secure Homes, Condor Group. CHEMICALS (1) Rexbrook. STORES (3) Brown (C) Car, Dunhill, S & U Stores. ELECTRICALS (4) Alphameric, Checkpoint Europe, Cray Electronic, Real Time Control. ENGINEERING (1) Hampson Inds. FOODS (1) Meat Trade Suppliers. HOTELS (2) Cresta, Grand Metropolitan. INDUSTRIALS (7) Avon Rubber, CCA Galleries, Cathay Pacific, Fletcher Challenge, Hodgson, Peek Hldgs, Wedgwood. LEISURE (4) Gilbert House Inv, Hardanger Prop, Intl Income Prop, Southend Stadium. TEXTILES (1) Jerome. TRUSTS (5) German Smaller Inv, Greenfriar Inv, Keystone Inv, Pacific Assets Trust, Rorento NV. OILS (3) Cluff Oil, Conroy Pet Nat Res, Petrofinal SA. OVERSEAS TRADERS (2) Ocean Wilsons, Sime Darby. PLANTATIONS (3) Cons Plantations, Grand Central Invs, Kuala Kepong. MINES (18).

NEW LOWS (15)

BANKS (2) Hill Samuel, MCorp. BREWERS (1) Irish Distillers. BUILDINGS (1) Lawrence (W.) 8.5pc Cv Pf. ELECTRICALS (2) NEI, United Leasing. ENGINEERING (2) Renold, SPP. FOODS (1) Avana. INDUSTRIALS (3) Ipeco, Isotron, Young (H.). PAPER (2) CPM, Monotype Corp. TRUSTS (1) Independent Inv.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 6 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri Oct 3 Index No.	Thur Oct 2 Index No.	Weds Oct 1 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	650.91	+1.1	9.41	3.91	13.50	13.91	643.79	649.34	651.04	514.47
2	Building Materials (27)	742.91	+0.8	9.76	3.94	12.92	16.34	736.66	742.40	746.61	553.62
3	Contracting, Construction (30)	1124.80	−0.2	8.30	4.14	16.50	26.43	1127.28	1141.11	1143.89	857.90
4	Electricals (12)	1691.06	+0.7	8.50	4.95	15.26	40.67	1678.63	1685.11	1689.20	1477.07
5	Electronics (38)	1421.48	+1.8	9.95	2.86	13.39	28.50	1396.53	1410.81	1426.12	1244.03
6	Mechanical Engineering (60)	360.16	+0.9	10.96	4.57	11.66	9.42	356.99	357.07	357.71	303.22
8	Metals and Metal Forming (7)	327.08	−0.3	9.86	4.28	12.76	7.17	328.20	329.85	331.68	203.97
9	Motors (16)	269.82	+1.4	9.58	3.77	12.18	5.51	266.09	268.88	267.16	173.50
10	Other Industrial Materials (21)	1210.77	+1.5	7.47	4.42	15.87	20.41	1193.40	1209.86	1201.50	960.61
21	CONSUMER GROUP (185)	906.68	+1.2	8.11	3.37	15.50	16.00	895.81	905.51	910.30	700.59
22	Brewers and Distillers (22)	905.60	+1.3	9.68	3.55	12.69	14.91	893.93	898.07	900.42	738.68
25	Food Manufacturing (24)	681.76	+0.6	9.91	4.01	13.14	14.13	677.53	678.74	678.91	497.98
26	Food Retailing (16)	1881.08	+1.2	6.21	2.75	22.41	29.71	1859.56	1870.58	1868.23	1643.02
27	Health and Household Products (10)	1509.53	+1.4	5.64	2.31	20.95	12.84	1488.91	1513.97	1516.60	1049.31
29	Leisure (27)	901.80	+1.2	8.28	4.50	16.03	24.68	890.87	906.43	905.76	693.48
32	Publishing & Printing (15)	2535.58	+0.2	7.27	4.34	17.83	55.62	2530.31	2549.92	2568.68	1860.32
33	Packaging and Paper (14)	449.74	+1.2	7.47	3.66	17.39	10.04	444.56	451.47	454.01	350.85
34	Stores (38)	833.44	+1.8	7.01	3.08	19.35	11.76	818.79	831.01	845.69	727.91
35	Textiles (17)	518.30	+0.8	9.86	3.80	11.74	9.64	514.26	517.72	523.55	341.66
36	Tobaccos (2)	1231.60	+1.0	13.43	4.20	8.18	36.99	1219.96	1241.52	1242.75	757.00
41	OTHER GROUPS (87)	746.96	+1.2	9.07	4.28	14.20	17.14	738.35	741.26	743.52	687.58
42	Chemicals (20)	979.73	+1.0	8.97	4.41	13.56	28.60	970.01	971.61	975.42	659.41
44	Office Equipment (4)	236.71	+3.7	7.85	4.47	15.40	7.11	228.35	228.35	228.46	204.04
45	Shipping and Transport (13)	1430.12	+0.1	8.45	4.57	14.96	41.58	1428.19	1429.88	1439.71	1240.55
47	Telephone Networks (2)	721.17	+1.3	11.89	5.10	11.49	16.67	712.14	714.79	719.49	895.54
48	Miscellaneous (48)	1041.37	+1.2	6.62	3.27	18.96	16.48	1028.66	1035.88	1033.94	844.55
49	INDUSTRIAL GROUP (483)	807.26	+1.2	8.66	3.72	14.65	15.99	797.87	804.79	808.10	655.84
51	Oil & Gas (17)	1370.67	—	11.92	6.53	10.33	62.40	1370.65	1387.21	1367.22	1152.15
59	500 SHARE INDEX (500)	854.66	+1.0	9.05	4.06	13.94	19.63	845.93	853.62	855.18	697.67
61	FINANCIAL GROUP (117)	575.68	+0.8	—	4.87	—	16.39	571.17	572.76	572.84	483.62
62	Banks (7)	628.95	+0.5	20.34	5.78	6.73	23.94	625.55	628.10	632.10	476.40
65	Insurance (Life) (9)	819.97	+1.3	—	4.73	—	26.06	809.14	809.74	808.97	747.91
66	Insurance (Composite) (7)	447.12	+1.1	—	4.85	—	10.93	442.17	443.86	440.48	355.88
67	Insurance (Brokers) (9)	1198.67	+1.5	8.20	4.32	15.94	35.33	1180.68	1183.41	1169.15	1096.02
68	Merchant Banks (12)	321.75	—	—	4.46	—	5.37	321.68	322.92	324.64	252.18
69	Property (49)	728.09	+0.5	6.11	3.83	21.55	13.05	724.53	726.72	727.75	679.39
70	Other Financial (24)	335.42	+0.7	9.24	4.75	13.18	8.86	333.10	332.60	331.65	285.79
71	Investment Trusts (99)	774.64	—	—	2.93	—	12.83	774.62	775.62	773.47	588.69
81	Mining Finance (2)	318.74	+1.6	10.09	5.03	11.64	9.17	313.81	306.95	305.42	248.16
91	Overseas Traders (13)	667.62	+0.4	11.57	6.58	10.32	24.33	664.80	667.86	669.65	571.48
99	ALL-SHARE INDEX (731)	777.75	+0.9	—	4.17	—	18.43	770.44	776.10	777.10	635.65

	Index No.	Day's Change	Day's High	Day's Low	Oct 3	Oct 2	Oct 1	Sept 30	Sept 29	Year ago
FT-SE 100 SHARE INDEX ‡	1578.9	+18.1	1578.9	1563.2	1560.8	1573.1	1578.3	1555.8	1539.2	1306.9

FIXED INTEREST

	PRICE INDICES	Mon Oct 6	Day's change %	Fri Oct 3	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	118.21	+0.17	118.26	0.25	9.41
2	5-15 years	129.75	+0.03	129.71	—	10.20
3	Over 15 years	136.17	−0.04	136.22	—	10.05
4	Irredeemables	151.71	−0.20	152.01	—	8.90
5	All stocks	128.10	+0.06	128.11	0.08	10.00
	Index-Linked					
6	5 years	111.68	+0.19	111.47	—	2.80
7	Over 5 years	111.60	+0.12	111.47	—	2.53
8	All stocks	111.56	+0.13	111.41	—	2.43
9	Debentures & Loans	112.27	+0.47	111.74	—	8.12
10	Preference	81.18	+0.04	81.15	—	5.07

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 6	Fri Oct 3	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.64	9.69	9.80
2		15 years	10.32	10.31	10.05
3		25 years	10.33	10.32	10.06
4	Medium Coupons	5 years	11.26	11.30	10.63
5		15 years	10.70	10.70	10.37
6		25 years	10.30	10.28	10.05
7	High Coupons	5 years	11.37	11.40	10.70
8		15 years	10.92	10.91	10.51
9		25 years	10.47	10.48	10.18
10	Irredeemables		10.04	10.02	9.78
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	4.67	4.75	0.0
12	Inflat'n rate 5%	Over 5 yrs	3.72	3.73	0.0
13	Inflat'n rate 10%	5 yrs	3.34	3.42	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.57	3.57	0.0
15	Debs & Loans	5 years	11.42	11.54	11.14
16		15 years	11.43	11.52	11.14
17		25 years	11.44	11.49	11.09
18	Preference		11.31	11.32	11.09

‡Opening index 1563.2; 10 am 1570.3; 11 am 1572.3; Noon 1576.1; 1 pm 1577.6; 2 pm 1578.5; 3 pm 1577.5; 3.30 pm 1577.6; 4 pm 1577.2.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Number & Total Contracts 20,560. Calls 15,767. Puts 4,793.
*Underlying security price.

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

	%		%		%
ABN Bank	10	Citibank NA	10	● Morgan Grenfell	10
Adam & Company	10	Citybank Savings	¶10.95	Mnt Credit Corp. Ltd	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Nat Bk. of Kuwait	10
Allied Dunbar & Co	10	Clydesdale Bank	10	National Girobank	10
Allied Irish Bank	10	Comm. Bk. N. East	10	Nat Westminster	10
American Exp. Bk	10	Consolidated Cred	10	Northern Bank Ltd	10
Amro Bank	10	Co-operative Bank	*10	Norwich Gen. Trust	10
Henry Ansbacher	10	Cyprus Popular Bk	10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Duncan Lawrie	10	Provincial Trust Ltd	11
Associates Cap Corp	10	E. T. Trust	11	R. Raphael & Sons	10
Banco de Bilbao	10	Equator'l Tst C'p plc	10	Roxburghe G'rantee	11
Bank Hapoalim	10	Exeter Trust Ltd	10½	Royal Bk of Scotland	10
Bank Leumi (UK)	10	Financial & Gen. Sec	10	Royal Tst Co Canada	10
Bank Credit & Comm	10	First Nat. Fin. Corp	11	Standard Chartered	10
Bank of Cyprus	10	First Nat. Sec. Ltd	11	Trustee Savings Bnk	10
Bank of Ireland	10	● Robert Fleming & Co	10	UDT Mortgage Exp	¶10.9
Bank of India	10	Robert Fraser & Ptrs	11	United Bk of Kuwait	10
Bank of Scotland	10	Grindlays Bank	‡10	United Mizrahi Bank	10
Banque Belge Ltd	10	● Guinness Mahon	10	Westpac B'nking Corp	10
Barclays Bank	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Benchmark Tst Ltd	10	● Hambro Bank	10	Yorkshire Bank	10
Beneficial Trust Ltd	11	Heritable & Gen. Tst	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co	10		
● Brown Shipley	10	Hongkong & Shangh'	10		
CL Bank Nederland	10	Knowsley & Co. Ltd	10½		
Canada Permanent	10	Lloyds Bank	10		
Cayzer Ltd	10	Mase Westpac Ltd	10		
Cedar Holdings	11	Meghraj & Sons Ltd	10		
● Charterhouse Bank	10	Midland Bank	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%, 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

WORLD STOCK MARKETS

AUSTRIA

Oct. 6	Price Sch.	+ or −
Credit'nst'lt pp	2,285	....
Goesser	3,410	−10
Interunfall	13,850	−50
Jungbunzlauer	12,650	....
Laenderbank	2,250	+5
Perlmooser	620	+5
Steyr Daimler	156	....
Veitscher Mag	10,100	....

BELGIUM/LUXEMBOURG

Oct. 6	Price Frs.	+ or −
B.B.L.	3,100	+30
Banq. Gen. Lux	16,300	....
Banq. Int.A.Lux	15,000	....
Bekaert	10,250	....
Ciment CBR	3,850	+60
Cockerill	148	+7
Delhaize	3,150	....
EBES	4,700	....
Electrobel	14,925	....
Fabrique Nat	1,930	+30
GB Inno BM	7,800	....
GBL (Brux)	3,750	....
Generale Bank	6,980	....
Gevaert	6,160	+10

GERMANY

Oct. 6	Price Dm.	+ or −
AEG	319.1	+3.3
Allianz Vers	2,295	+10
BASF	273.3	−1.7
Bayer	298.2	−2.5
Bayer-Hypo	585.5	+1.5
Bayer-Verein	555	−4
BHF Bank	521	+6
BMW	625	−2
Brown Boveri	313.5	+0.5
Commerzbank	317	−2
Cont'l Gummi	318.5	−2.5
Daimler-Benz	1,251	−9
Degussa	477	−7.5
D'sche Babcock	205.5	−0.5
Deutsche Bank	789	....
Dresdner Bank	407	−1.5
Feld-Muehle Nbl	395.5	+2
Henkel	449	+1
Hochtief	1,100	....
Hoechst	253.8	−0.7
Hoesch werke	142.5	−1
Holzmann (P)	560	+8
Horten	226	−9
Hussel	620	+13
Karstadt	446	−5
Kaufhof	523	−1
KHD	206	−4.5

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA (continued)

HONG KONG

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

ITALY

NETHERLAND

DENMARK

FRANCE

AUSTRALIA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices October 6

MONTREAL

Closing prices October 6

Indices

NEW YORK

TORONTO	Oct 6	Oct 3	Oct 2	Oct 1	1986 High	1986 Low
Metals & Minls	2,174.5	2,185.19	2,167.98	2,168.98	2,442.86 (21/3)	1,917.4 (5/8)
Composite	3,018.8	2,999.9	3,002.9	2,993.30	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	n/a	1,511.28	1,514.12	1,508.43	1,623.33 (18/4)	1,386.5 (22/1)

* Indicates pre-close figure

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 49

NEW YORK CLOSING PRICES

Continued from Page 49

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

ACM	176	+14
Audio Fidelity	68	+12
Beecham	418	+12
BAe	476	+11
Brooke Tool	38	+ 3
Cable & Wireless	384	+17
Cad Schweppes	177	+ 4
Conder	131	+13
Conroy Petroleum	200	+15
Cons Gold Fields	604	+13
Dowty	203	+ 5
Equity & General	28½	+ 2½
Exco Intl	235	+ 5
Gilbert Hse Inv	61	+41
Grand Metr	433	+12
Hestair	161	+13
Jaguar	547	+16
Jerome (S)	92	+ 6
Plessey	180	+ 6
Poseidon	193	+ 9
Rank Org	499	+22
Ratcliffe (F.S.)	180	+20
Really Useful	403	+13
Rothmans Intl	148	+ 9
Saatchi & Saatchi	610	+15
Smallbone	165	+10

FALLS

Greenwich Res	136	− 8
Milford Docks	41	− 7
Stothert & Pitt	153	−10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	14¼	AAR s	.44	1.9	17	92	23¼	22⅞	23	
30	21¾	ADT	.92	3.8		95	24⅝	24	24⅛	−⅛
33	11½	AFG s	.08i	.3	14	562	26½	25½	26¼	+⅝
25⅝	13¾	AGS			13	149	18⅝	18⅛	18⅝	+⅛
15	9⅞	AMCA			250	93	10⅛	9⅞	10	
60⅝	37⅝	AMR			15	2749	58⅛	57⅝	58⅞	+⅞
27½	23¼	ANR pf	2.67	9.9		6	27¼	27	27	+½
13⅛	9⅝	APL			6	13	12⅝	12½	12⅝	−⅛
16¾	10	ARX	.71t	6.6	10	47	10⅞	10⅝	10¾	+¼
41½	28¾	ASA	2a	5.1		756	39⅝	38½	39⅛	+½
16⅝	9¾	AVX		3.2		72	10¼	10	10	−⅛
32	23	AZP	2.72	9.4	8	941	29⅛	28¾	29	
55	26⅝	AbtLb s	.84	1.9	21	2429	45⅝	44¼	45⅛	+½
32	18¾	AccoWd	.55	2.1	17	605	26¾	26¼	26½	−¼
14⅞	9	AcmeC	.40	3.8		24	10½	10	10½	+½
9¼	6¼	AcmeE	.32b	5.0	14	1	6⅝	6⅝	6⅝	−⅛
22⅝	17	AdaEx	1.90e	9.5		84	20¼	20	20	−¼
33⅝	17⅛	AdmMl	.40	1.8	10	42	23¼	22¾	22¾	−¼
20⅜	13	AdvSys	.45t	11.	11	x51	13⅝	d12¾	12⅞	+¾
32⅞	13½	AMD				4670	14⅞	13⅞	14	−½
12⅝	5⅝	Adobe n				76	6⅝	6½	6½	−⅛
15⅝	13¾	Adob pf	1.84	12.		37	15	14¾	14¾	−½
20¼	15¼	Adob pf	2.40	13.		6	17⅞	17⅝	17⅞	−⅛
18⅝	7⅝	Advest	.12a	.9	10	210	13	12¾	12¾	
66¼	43¼	AetnLf	2.64	4.6	8	4640	58⅞	56½	58⅞	+1¼
56½	51½	AetL pf	4.69e	8.9		176	52⅞	52¾	52⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 48

O O O

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8	3/4	OakInd			5	921	1 1/4	1 1/8	1 1/4	+ 1/8
34 5/8	27 3/4	OakiteP	1.52	5.4	15	6	28 1/8	28	28	− 3/8
29 7/8	13 7/8	Oakwd s	.08	.5	12	133	15 1/4	15	15	− 1/4
36 3/4	22 5/8	OccIPe	2.50	8.6	7	4516	29 3/8	28 5/8	29 1/8	+ 1/8
59 1/2	52 5/8	OccIP pf	6.25	11.		459	56 5/8	56 1/2	56 5/8	
110 7/8	100 1/8	Occl pf	14.62	15.		11	100 1/2	100 1/2	100 1/2	
22	10 5/8	ODECO			35j	36	11 7/8	11 5/8	11 5/8	
44 1/4	27 1/2	Ogden	1.80	4.1		802	44 1/8	43 3/4	44	− 1/4
125	86	Ogdn pf	1.87	1.5		2	125	125	125	
22 1/2	14 1/2	OhioEd	1.92	9.7	8	1860	19 7/8	19 1/2	19 3/4	+ 1/4
42 1/2	29 3/4	OhEd pf	3.90	10.		z60	39	39	39	− 1
46	33 1/8	OhEd pf	4.40	10.		z280	43 1/2	43	43 1/2	− 1/2
46	34	OhEd pf	4.44	10.		z220	43 1/2	43 3/8	43 3/8	
75 1/2	31	OhEd pf	7.24	10.		z100	71 1/2	71 1/2	71 1/2	+ 1/4
76	58 1/2	OhEd pf	7.36	10.		z80	72	72	72	+ 1/2
84 1/4	62 1/4	OhEd pf	8.20	10.		z240	80	79	79 1/2	− 1/2
32	27	OhEd pf	3.50	11.		40	32	31 1/2	31 3/4	+ 1/4
34 3/4	29 3/8	OhEd pr	3.92	11.		71	34 1/2	34	34 1/2	+ 3/4
22 1/4	14 3/4	OhEd pr	1.80	9.2		9	19 5/8	19 5/8	19 5/8	− 3/8
94	70	OhEd pf	9.12	10.		z1900	88 1/2	88 1/2	88 1/2	− 1 1/4
16 3/8	10 7/8	OhMatr	.40	3.3	18	152	12 3/8	12 1/8	12 1/4	
88 1/2	66	OhP pf	8.04	9.3		z150	87	86	86	+ 1/2
91 1/2	65 1/4	OhP pfB	7.60	8.7		z100	87 1/2	87 1/2	87 1/2	+ 3/4
33 3/4	29 1/4	OhP prH	3.75	12.		12	30 1/4	30 1/4	30 1/4	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 1/2	22	Witco s	1.12	3.5	11	273	31 7/8	31 1/2	31 7/8	− 1/8
13 7/8	8 1/8	WolvrW			12j	83	9 1/2	9 1/4	9 1/2	+ 1/4
49	24 1/2	Wlwth s	1.12	2.8	18	1054	40 1/4	39 5/8	40	− 1/4
5 5/8	2	WrldAr			2	42	4 1/8	4	4 1/8	
19 3/4	19 3/8	WrldVl n				79	19 1/2	d19 1/4	19 1/2	+ 1/8
51	25 5/8	Wrigly s	.96	2.2	19	44	44	43 5/8	43 7/8	+ 1/4
4 1/8	1 1/8	Wurlitzr				22	1 3/4	1 5/8	1 3/4	

Continued on Page 47

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Stock index options provide spur

STOCK PRICES drifted higher and bond prices turned mixed yesterday in quiet trading on Wall Street, *writes Roderick Oram in New York.*

A weaker dollar and lack of new economic figures left most investors on the sidelines of the bond market. Prices edged up in shorter maturities but were unchanged to lower at the longer end.

Stock prices opened fractionally lower but then jumped about 15 points as premiums on stock index options triggered some buying programmes in the underlying shares. Stocks gave up most of their gains in midmorning but revived over lunch and again near the close on programme buying.

The Dow Jones industrial average of blue chip stocks closed up 10.27 points at 1,784.45. The New York Stock Exchange composite index ended up 0.51 points at 135.32. Trading of 88.88m shares was the quietest since May 19 and left 821 issues ahead and 683 lower.

The most active sector was transportation, spurred by railroad stocks and airlines. The Dow Jones Transportation index closed up 10.37 at 822.25, less than nine points below its March 31 record of 830.84. Burlington and Northern rose $1¾ to $57⅞, CSX was ahead $¾ to $29⅝ and Federal Express $1⅞ at $67⅛.

Among blue chips yesterday, American Express was up $⅝ to $56½, McDonald's gained $1⅞ to $59⅝, Minnesota Mining and Manufacturing was up $¼ at $100¾, and General Electric was ahead $½ to $71⅜.

IBM rose $2⅜ to $133½. Although analysts are expecting it to report this week third quarter earnings of around $2.20 a share against $2.40 a year earlier, they are forecasting higher profits next year.

After the market closed, Mr Carl Icahn, the New York financier, offered $31 a share for USX, valuing the former United States Steel Corporation at $8bn. He said he already owned 9.8 per cent of its common stock.

USX was once again the most active issue with more than 12.5m shares, including several 1m-share blocks, traded on all exchanges yesterday. It closed up $⅝ at $26½.

Tobacco stocks were strong following weekend news that Japan will abolish its import tariffs on cigarettes, boosting substantially US cigarette exports. Philip Morris rose $1 to $68, RJR Nabisco was up $⅝ to $49⅛ and US Tobacco was up $½ at $41⅜.

Union Carbide was off $⅛ to $20⅞ and GAF was down $¼ to $33¼ after GAF agreed to limit its stake in Carbide to a maximum 10 per cent.

Control Data edged up $⅛ to $27. It proposed a share price of $21 to $24 for Commercial Credit (cap C and C), the financial services subsidiary it is spinning off. The unit's profits have been offsetting Control Data's losses on computers.

Polaroid gained $2 to $66½ after the Supreme Court said it would not hear an appeal from Eastman Kodak in its patent dispute with Polariod over instant photography. A lower court ruling had ordered Kodak to withdraw from the business. Kodak was unchanged at $55.

BankAmerica was ahead $⅛ to $12¼. The board of the troubled bank holding company met yesterday amid speculation about executive changes.

On the takeover front, Western Pacific Industries fell $4 to $162¼ after management dropped its $155 a share buy out proposal and accepted a $163 a share offer from Danaher which rose $½ to $11⅛.

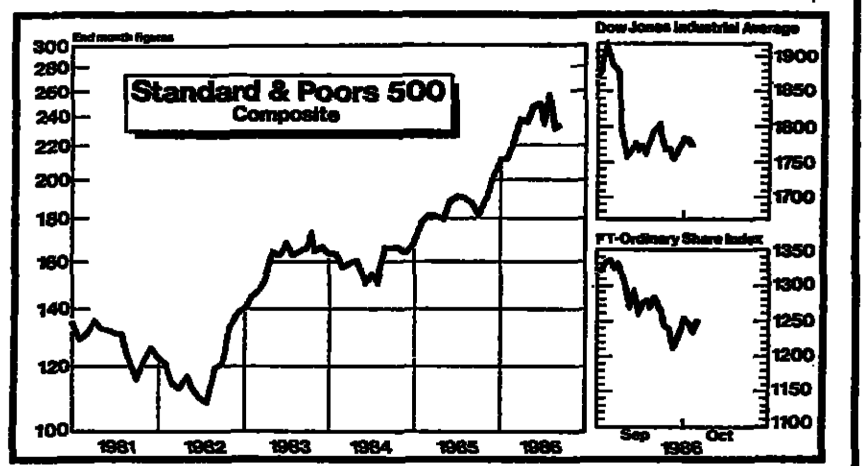
Lucky Stores gained $¾ to $36⅞ on heavy volume. It rejected as inadequate a $35 a share takeover offer from Mr Asher Edelman

In credit markets, bonds failed to hang on to their early gains in price mainly because the dollar fell again below DM 2. The benchmark 7.25 per cent Treasury long bond edged down 1/16 of a point to 96 27/32 at which it yielded 7.52 per cent.

Treasury bills were essentially unchanged at 5.04 per cent for three-month bills, 5.13 per cent for six-month and 5.25 per cent for year bills. Certificates of deposit edged lower by as much as eight basis points to stand at between 5.67 per cent for short maturities and 5.60 for longer.

The markets will have little news to consider over the next few days in the absence of any major economic data until the producer price index for September is released on Friday. It should give some indication of the inflation trend. Fears that inflation was rising had dampened hopes last month of an interest rate cut but the growing evidence of poor economic growth has recently increased expectations that the Federal Reserve Board will lower its discount rate within the next few months.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 6	Previous	Year ago
NEW YORK			
DJ Industrials	1,784.45	1,774.18	1,328.74
DJ Transport	822.25	811.88	647.24
DJ Utilities	200.20	199.62	155.16
S&P Composite	234.78	233.71	183.22
LONDON			
FT Ord	1,251.2	1,234.0	1,012.4
FT-SE 100	1,578.9	1,560.8	1,313.0
FT-A All-share	777.75	770.44	635.65
FT-A 500	854.66	845.93	697.67
FT Gold mines	316.2	328.6	289.4
FT-A Long gilt	10.41	10.4	10.81
TOKYO			
Nikkei	17,435.33	17,240.22	12,718.3
Tokyo SE	1,454.83	1,449.59	1,026.33
AUSTRALIA			
All Ord.	1,310.8	1,297.3	1,011.9
Metals & Mins.	694.3	684.5	530.5
AUSTRIA			
Credit Aktien	234.48	234.85	206.70
BELGIUM			
Belgian SE	3,867.75	3,855.29	2,514.20
CANADA			
Toronto			
Metals & Minls	2,174.5	2,165.19	1,862
Composite	3,016.0	2,999.0	183.22
Montreal			
Portfolio	n/a	1,511.28	128.82
DENMARK			
SE	n/a	n/a	226.31
FRANCE			
CAC Gen	386.60	384.90	205.9
Ind. Tendance	151.20	149.80	74.6
WEST GERMANY			
FAZ-Aktien	673.33	671.70	541.02
Commerzbank	2,016.40	2,009.9	1,592.2
HONG KONG			
Hang Seng	2,084.93	2,134.80	1,587.44
ITALY			
Banca Comm.	745.39	750.74	411.23
NETHERLANDS			
ANP-CBS Gen	277.30	280.0	212.4
ANP-CBS Ind	277.60	280.6	187.9
NORWAY			
Oslo SE	376.75	377.71	371.98
SINGAPORE			
Straits Times	819.51	816.15	767.40
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,997.0	1,048.5
JSE Industrials	—	1,378.0	969.9
SPAIN			
Madrid SE	202.57	200.88	84.80
SWEDEN			
J & P	2,488.14	2,478.70	1,370.51
SWITZERLAND			
Swiss Bank Ind	551.60	553.3	467.2
WORLD	Oct 3		
MS Capital Int'l	341.9	340.7	225.1

COMMODITIES

(London)	Oct 6	Prev
Silver (spot fixing)	398.75	400.60p
Copper (cash)	£946.0	£925.55
Coffee (Nov)	£2,305.00	£2,219.00
Oil (Brent blend)	$13.75	$13.75

GOLD (per ounce)

	Oct 6	Prev
London	$438	$437.00
Zürich	$437.67	$436.75
Paris (fixing)	$434.66	$435.03
Luxembourg	$436.00	$437.75
New York (Dec)	$442.8	$437.5

CURRENCIES

	US DOLLAR		STERLING	
(London)	Oct 6	Previous	Oct 6	Previous
$	–	–	1.4390	1.4425
DM	1.9900	1.9985	2.8625	2.8825
Yen	154.05	154.10	221.5	222.25
FFr	6.52	6.545	9.3825	9.44
SFr	1.6200	1.6200	2.33	2.3375
Guilder	2.2495	2.2580	3.2375	3.2575
Lira	1.377	1.383	1,981.5	1.995
BFr	41.30	41.40	59.45	59.70
C$	1.3855	1.3865	1.9930	2.0005

INTEREST RATES

	Oct 6	Prev
Euro-currencies (3-month offered rate)		
£	10⅞	11
SFr	4	4⅛
DM	4 7/16	4 9/16
FFr	9⅝	9⅝
FT London Interbank fixing (offered rate)		
3-month US$	5 15/16	6 1/16
6-month US$	5 15/16	6 1/16
US Fed Funds	5 11/16*	5⅝
US 3-month CDs	5.50*	5.825
US 3-month T-bills	5.04*	5.24

US BONDS

Treasury

		October 6 Price	Yield	Prev Price	Yield
6⅝	1988	100 13/32	6.12	100	6.375
7⅛	1993	101	7.05	99 27/32	7.271
7⅜	1996	100 24/32	7.26	96 17/32	7.442
7¼	2016	96 27/32	7.53	95 25/32	7.596

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Oct 6 Day's change	Yield	Day's change
1–30	157.08	+0.33	6.97	–.03
1–10	150.06	+0.28	6.64	–.04
1– 3	140.71	+0.17	6.19	–.03
3– 5	152.73	+0.30	6.80	–.04
15–30	182.37	+0.53	8.10	–.02

Source: Merrill Lynch

Corporate	October 6* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	91⅛	6.404	91.15	6.60
SCBT South Central 10⅞ Jan 1993	107¼	9.353	106⅝	9.482
Phibro-Sal 8 April 1996	99	8.153	98	8.306
TRW 8⅜ March 1996	102	8.435	102	8.435
Arco 9⅞ March 2016	106½	9.228	106	9.275
General Motors 8⅛ April 2016	90⅛	9.053	89⅝	9.16
Citicorp 9⅜ March 2016	98¼	9.552	97¼	9.656

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	97–08	97–18	97–02	97–06
US Treasury Bills (IMM) $1m points of 100%				
Dec	95.06	95.07	95.03	95.06
Certificates of Deposit (IMM) $1m points of 100%				
Dec	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.23	94.26	94.21	94.16
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110–18	110–6	100–5	100–23

* Latest available figures

LONDON

Rally ahead of money supply data

MARKETS in London took heart from expectations that today's UK money supply data will prove more favourable than thought earlier, reducing pressures for higher domestic interest rates.

The stock market looked firm but dealers reported thin trade in many stocks. The Financial Times ordinary index put on 17.2 to 1,251.2.

The gilt edged sector lost some of its earlier impetus and by the close, long-dated issues were little changed on the day while gains among the shorts had been trimmed to ⅛.

Chief price changes, Page 47; Details, Page 46; Share information service, Pages 44-45.

AUSTRALIA

A RECORD SETTING performance was seen in Australian markets despite the Labour Day holiday that kept the Sydney stock exchange closed.

The All Ordinaries index rose 12.2 to 1,310.8 – its first foray above the 1,300 level – while strong demand for golds and metals took the Gold index 41.4 higher to 1,593.3. Turnover was high at 78.25m shares worth A$262.2m.

The volume was boosted by a special sale by Bell Resources of 8.8m shares in Bell Group for A$85m, or A$9.63 per share. Broker Orr Minnett was understood to have placed shares with institutions at A$9.75. Bell Group ended 40 cents lower at A$10 after a day's low of A$9.90.

SINGAPORE

A HESITANT MOOD overhung Singapore although a revival of foreign demand and purchases of some blue chips managed to outweigh local profit-taking.

The Straits Times industrial index rose 3.36 to 819.51 on turnover that rose to 16.2m shares from Friday's 12.8m.

Among actively traded issues, City Development put on 3 cents to S$2.01 and OCBC rose 5 cents to S$8.10 but Sime Darby shed 1 cent to S$1.68.

ICS posted a 25 cent rise to S$6.75, while DBS rose 20 cents to S$8.60 and Fraser and Neave 15 cents to S$8.45. Ten cent advances took SIA to S$7.80, Singapore Press to S$8.05 and UOB to S$4.20.

CANADA

A BROADLY higher trend emerged in Toronto after an early rally had been bolstered by a stronger showing in the resource sector.

Among active issues, Continental Bank of Canada rose C$3⅛ to C$15½ as trading resumed after the week long halt following the announcement that the bank proposed a merger with Lloyd's Bank of London.

Toronto Dominion Bank put on C$¼ to C$23 and Bank of British Colombia added 11 cents to C$2.90.

SOUTH AFRICA

THE ABSENCE of a clear trend in bullion prices made for hesitant Johannesburg trading and gold shares closed slightly easier on the day.

Randfontein lost R3 to R475 and Elsburg 40 cents to R12.90 but Deelkraal went against the trend with a 20 cent gain to R14.50.

Platinums shadowed golds with Rustenburg 50 cents lower at R53.25 but other miners were mostly steady with De Beers unchanged at R532.75.

EUROPE

Paris lifted by company results

THE FALLING dollar combined with uncertainty over interest rates, the outlook for Wall Street and the Opec meeting in Geneva to make many European investors hesitant.

The main bourses were mixed or easier, except for **Paris** which moved up on a series of good corporate results. Share prices were boosted by a FFr 475 jump to FFr 2,895 by Presses de la Cite, which started trading again after its suspension on September 23 amid a takeover bid by Cerus and Pechelbronn.

Other sectors to advance were food where Carrefour rose FFr 45 to FFr 3.4% and Moët-Hennessy put on FFr 40 to FFr 2,200, and electronics, which saw Matra FFr 12 higher at FFr 2,265.

Frankfurt finished mainly below Friday's close after early buying interest evaporated. Trading was thin in a market depressed by the dollar's decline and the belief that the Bundesbank was unlikely to cut interest rates in the near future, especially after September's fall in unemployment.

In the electrical sector, however, Siemens, which is leading the battle for control of France's CGCT telecommunications group put on DM 2.1 to DM 702.

Among banks, Commerzbank dropped DM 2 to DM 317 and Dresdner DM 1.5 to DM 407, but Deutsche Bank closed unchanged at DM 789.

Car makers were easier, with Daimler-Benz and Porsche falling DM 9 and DM 14 to DM 1,251 and DM 996 respectively.

VW's ordinary shares were down DM 7 at DM 488 while its preference shares, traded for the first time yesterday, closed at DM 454.50, down 50 pfennigs on the issue price. The price for the remaining 2.4m preference shares from WV's current rights issue was set after the bourse closed at DM 450 each.

Bonds were actively traded and prices ended higher on the day but below the highs reached in pre-bourse dealings. At the long end, gains were as much as 35 pfg, although there were also a few losses. The average yield of public authority bonds fell 2 basis points to 5.80 per cent. The Bundesbank sold DM 101.1m of paper after selling DM 10.3m on Friday.

Amsterdam recouped some of the day's early losses as Wall Street picked up but leading share prices still ended easier in a thin hesitant session.

Among internationals KLM lost Fl 0.40 to Fl 46.60 while Hoogovens was steady at Fl 58.80.

Banks were mixed, and insurers saw Aegon put on Fl 2.8 to Fl 93.3 after denying newspaper reports that a teacher was making a Fl 3bn claim.

From next January, the ANP-CBS index will be discontinued and replaced by the new CBS "tendency" index as the official Amsterdam stock exchange indicator.

Zurich had a quiet session on the day that continuous trading began in the bourse's 25 most active issues. Share prices closed very narrowly mixed, and bonds were steady.

Brussels was also little changed, with buyers holding off on the settlement day of the fortnightly trading period. Petrofina climbed BFr 60 to BFr 9,440, while Vieille Montagne lost BFr 190 to BFr 5,800 after a first half loss.

Milan saw demand for Montedison contrast with losses for Fiat and Olivetti. Montedison, which launched its L947bn rights issue amid continued criticism of its purchase of a further stake La Fondiaria, climbed L180 to L3,650. However, Fiat dropped L150 to L14,800 while Olivetti fell L435 to L16,250.

Stockholm, boosted by technical factors and hopes of favourable company results this week, closed sharply higher after a session of heavy trading.

Oslo prices fell across the board on details of the 1987 budget. Norsk Hydro, which said 1986 profits would be lower than expected, lost NKr 5 to NKr 148.

Madrid moved higher, with substantial gains for construction issues. Telefonica, which is selling its stake in a cable venture, was 0.5 points up at 190.2 per cent of nominal value.

HONG KONG

THE 11-day rally in Hong Kong markets came to an abrupt halt yesterday as a wave of heavy domestic selling left the Hang Seng index dropping sharply to 49.87 to finish at 2,084.93 – the largest one-day fall since July 1984.

The downturn came as local dignitaries and representatives of other markets gathered to mark the official opening of the computerised system which over the last six months has brought together the colony's four, formerly independent exchanges.

The decline was viewed as a much needed correction after a fortnight in which the market index has risen 11 per cent, setting a series of records on the way.

Turnover amounted to HK$905m from Friday's HK$1.1bn.

The market was undermined from the opening by talk of an unsuccessful attempt last Friday by New World Developments to place 100m new shares at HK$8.20 each with fund managers. New World shares fell 50 cents to HK$8.

Cheung Kong rose to a day's high of HK$28.70 on news that it had sold the Hongkong Hilton Hotel to Hongkong Electric for HK$1.03bn.

TOKYO

Attempts at rebound run out of steam

A FURTHER SETBACK was suffered in Tokyo yesterday with institutional investors and dealers sitting on the sidelines after the vident fluctuations last week, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average fell 171.12 to 17,435.33 on the second lowest volume of the year – 253.8m shares compared with 651.64m last Friday. The lowest was 232.41m registered on January 21. Losses outpaced gains 383 to 370 with 133 issues unchanged.

The Nikkei lost 1,162 points in four straight days to last Thursday, but recouped 587 on Friday and Saturday. The two-day rally was due chiefly to active buying by investment trusts, which sharply pushed up biotechnologies, nonferrous metals and oils.

However, investors viewed the rebound as only a technical rally and were expecting no immediate full-scale recovery. They were further discouraged when Mr Satoshi Sumita, Bank of Japan governor, made remarks ruling out an immediate fourth cut in the official discount rate and the uncertain outlook of crude oil prices.

The cautious mood was strengthened by the approach of a market holiday next Friday and Saturday.

Market leaders fell sharply together with issues related to the Tokyo Bay area redevelopment project, which had been sought by brokerage house dealers and institutional investors to reap capital gains. Ishikawajima-Harima Heavy Industries topped the active list with 13.99m shares, but dropped Y33 to Y566. Tokyo Gas fell Y40 to Y1,020 while Nippon Kokan lost Y12 to Y297.

Among other large capital stocks, Tokyo Electric Power gained Y80 to Y7,380 but Kawasaki Steel and Mitsubishi Heavy Industries fell Y13 to Y232 and Y12 to Y568, respectively.

Domestic demand-related issues were also weaker, with Ohbayashi losing Y48 to Y972.

Trade was slow on the bond market in the absence of fresh incentives, but prices firmed slightly on speculative trading by the dealing sections of banks and securities houses. The yield on the benchmark 6.2 per cent government bond maturing in July 1995 dipped from 4.735 per cent Saturday to 4.720 per cent.

Buying shrank greatly in the 5.1 per cent government bond due in June 1996, which had attracted buying last week as the issue that may replace the 6.2 per cent bond as the bellwether issue.